

UNITED STATES POLICY TOWARD THE
PALESTINIANS IN THE AFTERMATH OF
PARLIAMENTARY ELECTIONS

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BEFORE THE
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UNITED STATES POLICY TOWARD THE PALESTINIANS IN THE AFTERMATH OF PARLIAMENTARY ELECTIONS

THURSDAY, MARCH 2, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Committee met, pursuant to notice, at 10:37 a.m. in room 2172, Rayburn House Office Building, Hon. Henry J. Hyde (Chairman of the Committee) presiding.

Chairman HYDE. The Committee will come to order. Before we begin our proceedings this morning, I would like to pay tribute to the American Foreign Service officer and the Pakistani employee of our mission who was driving him who were killed today in Karachi, Pakistan, in an obvious attempt to intimidate the President of the United States. We also pay tribute to the Pakistani security officials who were accompanying our employees and were killed or injured while protecting these individuals. Neither the President nor our Nation will be intimidated by this terrorist attack. The names of the victims have not yet been released.

Since we have senior officials of the Administration present, I would like to take this opportunity to extend through you our condolences to your colleagues at the Department of State and to express our continuing support for the efforts to protect those who represent our Nation overseas.

Mr. LANTOS. Mr. Chairman?

Chairman HYDE. Mr. Lantos.

Mr. LANTOS. On our side, we want to endorse and fully support your statement on this matter.

Chairman HYDE. Thank you.

On January 25, 2006, Palestinians turned out in large numbers to elect a new legislative council. The unsettling result was a decisive win by Hamas, which had previously been declared a terrorist organization by the United States and which remains formally committed to the destruction of Israel.

There is no shortage of analyses offered to explain this upset. Many observers stress that the elections took place during a time of growing discontent among the Palestinian population across a range of issues, including widespread frustration with the Palestinian Authority for having made insufficient progress toward achieving statehood. In addition, the powers that be, most prominently the dominant Palestinian organization, Fatah, were increasingly factionalized and commonly perceived as thoroughly corrupt.

Regardless of the reasons, and as disappointed as many are by the election results, the Palestinian people deserve recognition for having conducted what were arguably the freest and fairest democratic elections in the Arab world. As Secretary Rice stated in Davos last month, "The Palestinian people have apparently voted for change, but we believe that their aspirations for peace and a peaceful life remain unchanged." But the victory by Hamas has presented the United States with a dilemma.

If Hamas remains committed to Israel's destruction, it will be impossible for the Palestinian Authority to be a credible negotiating partner, but given that there is no candidate waiting to fill that role, the always precarious search for some version of peace in the region cannot move forward.

The key question, then, is whether or not Hamas can be persuaded to change its rejection of Israel's right to exist and to accept that the fundamental interests of the Palestinian people can only be met if not by peace, then by a working accommodation between the two sides.

What leverage do the United States, the Israelis, the Europeans, the moderate Arab leaders, and other members of the international community possess to assist this process? The most obvious instrument is financial support. Over many decades, the United States has been generous in helping to meet the humanitarian needs of the Palestinian people with its donations amounting to nearly \$2 billion over the years, but most of that assistance has been provided indirectly through the United Nations and other international organizations. We have given little direct aid to the Palestinian Authority itself, and that is unlikely to change in the foreseeable future.

Further, following Hamas's victory, the House and Senate agreed on a resolution stating that the United States should not give direct aid to the Authority as long as its legislature remains dominated by those who call for the destruction of Israel. But a cutoff of funding for humanitarian programs would have the effect of helping terrorist regimes like Syria and Iran expand their support among the Palestinian population.

Without question, continued assistance from the U.S. and other donors is essential to meeting basic human needs and avoiding a worsening of conditions in general. According to the World Bank, unemployment in the West Bank and Gaza is an astonishing 23 percent, but the real level may be as much as twice that amount. Forty-three percent of the population is living below the poverty line. Who can doubt that these are ingredients for continued instability and ultimately an explosion?

The Administration has informed our Committee that it is reviewing all forms of assistance to the Palestinians. I am certain our witnesses today will enlighten us on this and other issues, including our discussions with the Israeli Government and others in the region and in the international community.

In the Book of Isaiah is found the oft-quoted phrase:

"They shall beat their swords into plow shares and their spears into pruning hooks. Nations shall not lift up sword against nation. Neither shall they learn war anymore."

This vision has remained beyond reach ever since these words were written more than two millennia ago, and yet it remains an enduring element in our ambitions for the future. But the world's billions dream different dreams, and we cannot expect noble sentiments alone to conquer irreconcilable differences and end deadly struggles. Some problems have no identifiable solution, but the baser instincts of man can be pressed into service for ends beyond those of immediate contest. Self-interest can be harnessed to advance common goals, and even fiercely defended separations can become stable boundaries.

Even as we must confront reality on its unyielding terms, we must hope that others understand that the virtues of self-interest need not be narrowly confined. I hope the leaders of Hamas will combine their new mandate with wisdom and compassion for their own people and avoid the exhilarating temptations of apocalyptic visions, for these can only add to the suffering, desolation, and hopelessness they have long reigned among the people for whom they have sought and now have been given inescapable responsibility.

Let me now turn to my friend, the Ranking Democratic Member, Mr. Lantos, for any opening remarks he may wish to make.

Mr. LANTOS. Thank you very much, Mr. Chairman. This hearing could not be more timely since the officially designated terrorist organization, Hamas, will form its cabinet sometime this month. It is bizarre that some governments are still deciding how to respond to this political farce. So there could be no better time to remind everyone of what is at stake.

Here is a salient quote from the Charter of Hamas:

"Israel will exist and will continue to exist until Islam will obliterate it, just as it obliterated others before it."

Mr. Chairman, this hate-filled screed, the Hamas Charter, takes venom to new levels. It indicates that giving an inch of ground, literally or figuratively, is tantamount to renouncing Islam, and Hamas leaders have not changed their rhetoric one iota since winning the election, far from it. Hamas leaders are now holding out their hands and asking U.S. taxpayers to continue the flow of dollars, but the blood of dozens of Americans and hundreds of Israeli men, women, and children is on those hands.

It has long been U.S. policy not to support terrorists in any way. We must make absolutely clear that we will not deal with the terrorist thugs who now lead the Palestinian Authority. Not a single penny of U.S. taxpayer money should end up in Hamas coffers. My good friend, Congresswoman Ileana Ros-Lehtinen, and I have introduced legislation, H.R. 4681, that turned this basic principle into law.

I also want to make it clear that simply ending direct assistance to the Palestinian Authority does not cut it. There must be an end to all nonhumanitarian assistance that could benefit Hamas. The last thing in the world we in Congress want to do is to let a Hamas government reap the credit for development projects that are funded by the American taxpayer.

Of course, I support the continuation of humanitarian assistance to the Palestinians, but we must be clear about how we define such

aid. The phrase “humanitarian assistance” means just what it says, and it is clearly defined in our legislation: Food, water, and medicine.

The United States must respond to this new situation with honor and integrity: No negotiations, no contact, no assistance beyond humanitarian aid. We have a standard that this country has long maintained. We have a statute now in the works, and we have an example to set in the eyes of the world. And we should make clear to all, Mr. Chairman, that we strongly oppose their hosting or meeting with Hamas.

I am deeply disappointed by the Turkish and Russian decisions to host Hamas. The words and deeds of this gang of terrorist thugs put them beyond the pale of organizations that governments should deal with, and the fact that these invitations have come from two countries with their own terrorist problems, countries that stridently demand nobody meet with the terrorist groups that threaten them, is sickening hypocrisy.

Mr. Chairman, let me briefly turn to a matter of critical national security that is directly within our witnesses’ purview, the pending transfer of the management of six key American ports to a company owned by the Government of Dubai, a part of the United Arab Emirates.

Five years ago, the UAE Government looked the other way as their citizens helped plan and execute the September 11 attacks on the United States. Financing for the attacks was arranged through their banks, and two of the hijackers were their citizens. They have held telethons for terrorists.

Mr. Chairman, the government officials who were in charge 5 years ago are still in power today, yet without any consultation with Congress, the Administration cleared the sale of the uniquely sensitive management of six major United States ports to Dubai Ports World, a company owned and controlled by the government. While some have breathed a sigh of relief that there is now a 45-day review of the deal, I am totally unimpressed.

This deal is being concluded today. Does anyone really believe that the review will reverse that? It is a bureaucratic fiction, a fig leaf for the appalling truth. We will know how bad this deal was only when it is too late.

In addition to the security concerns, Mr. Chairman, it is simply outrageous that we would turn over management of ports to a company that, by their own admission, actively participates in the Arab League boycott of Israel, our ally and the only democracy in the Middle East. American firms are prohibited from complying with the boycott, yet now the Administration seems willing to turn over our critical ports to governments that actively discriminate.

Mr. Chairman, the foreign policy and national security implications of the Dubai Ports World deal are staggering. I, therefore, respectfully and formally request that our Committee schedule a hearing on this important subject in the immediate future, leading to legislation that will prevent such lunacy once and for all. Thank you, Mr. Chairman.

Chairman HYDE. Normally, the proceeding is 1 minute for each Member to unburden him or herself of whatever they can in 1 minute, but that is to make available to as wide a group of Mem-

bers some time at the microphone. I am being pressured by two Members to increase that to 2 minutes. I am going to do that, but I am going to suggest that we have votes about 11:30, I am told, and we just take away at one end what we give at the other end. So let us try to hold it to 2 minutes. There is no law that says you have to ask a question at this period in the hearing, so I will leave it to your good judgment.

We also call Members in the order in which they appear in the committee room rather than by alphabetic order or some other format. So let us first go to Mr. Lantos. You have 2 minutes, sir.

Mr. LANTOS. I yield my 2 minutes, Mr. Chairman.

Chairman HYDE. I thank you. Mr. Leach?

Mr. LEACH. I yield.

Chairman HYDE. I thank you. Mr. Berman?

Mr. BERMAN. Mr. Berman reserves his time.

Chairman HYDE. Mr. Smith of New Jersey.

Mr. SMITH OF NEW JERSEY. I will be very brief, Mr. Chairman.

When the terrorist organization, Hamas, gained 74 of the 132 seats in the Palestinian Legislative Council, it underscored a concern that I have had for some time that free and fair elections are not ends in and of themselves but are only one of the pillars in the quest for democracy and respect for fundamental human rights. Clearly, and Hamas's victory takes this beyond theory, free and fair elections can usher into power brutal dictatorships with a seemingly popular mandate. The rule of law, not just any law, but the rule of just law, is indispensable to the creation of any sane and compassionate society.

This hearing, and I am very happy that you have scheduled this, Mr. Chairman, is extremely timely as Congress faces the challenge of earnestly desiring to tangibly assist the Palestinian people, especially its vulnerable children, as well as advancing a durable peace process, while not enabling an organization that has long hated Jews and refused to accept Israel's right to exist. Thank you, Mr. Chairman. I yield back.

Chairman HYDE. Thank you, sir. Mr. Ackerman of New York?

Mr. ACKERMAN. The Palestinian elections have created a new reality in the Middle East: The Palestinian Authority, led by Hamas. We all know Hamas is a pack of blood-thirsty killers. We know that their stated intent is to destroy Israel. We know that two states living side by side in peace and security is not their goal.

So it strikes me as odd, Mr. Chairman, that when faced with this reality, too many people are asking the wrong question. The question is not how can we fix this? The question must be, how can we make them fail? It is sheer folly to proceed from an assumption that Hamas will abandon its core beliefs now that they are engaged in the electoral process. Does the mantle of an election necessitate our finding some way to appease them? Do we really have to agree because they garnered a majority? Is it really incumbent upon us to brush aside their loathsome ideology and the pile of corpses that they have created as if it no longer mattered?

I have heard the suggestions that we could provide assistance through Abu Mazen's office that with enough legal hair splitting and spin doctoring, we could continue business as usual without involving Hamas. That is ridiculous. We should have been assisting

Abu Mazen a year ago when such assistance would have made a difference, a point that I made repeatedly after his election. Now that is too late. The idea that we can put a mask on a monster and then deal with the monster must be abandoned.

For the sake of our overarching interests in the Middle East and the global War on Terror, for the sake of any hope of peace, we must affirmatively seek the failure of Hamas. Promotion of democracy does not bind us to whoever is elected. The Palestinian people made a choice. They elected terrorists to govern them, to represent them, and to speak for them. Now we have a choice to make. Will we acquiesce in the elevation of a radical Islamist terrorist organization as an international partner, or will we stand fast?

Tacit acceptance, grudging acceptance, partial acceptance are all acceptance, and allowing any would be our failure. Let me suggest that if Hamas can withstand the demands of the whole world, then the world's single superpower ought to be able to muster the will and insist that the blood-soaked terrorist are not partners for peace, that they are not negotiating partners, and that they are not aid recipients, and that they will not be absolved for the hundreds they have killed.

Chairman HYDE. The gentleman's time has expired.

Mr. ACKERMAN. I ask unanimous consent, Mr. Chairman, to put the rest of my statement in the record, and I am very sorry that the Chairman saw fit to usurp the Subcommittee's scheduled hearing on this so that the distinguished Chair and Ranking Member and all of the Members of the Subcommittee could have had the full ability to express their opinions.

Chairman HYDE. Ms. Ros-Lehtinen?

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman. It has been longstanding United States policy to bring both sides of the Israeli-Palestinian conflict to the negotiation table and work toward a peaceful compromise. However, to achieve peace and security, Israel needs, must have, a legitimate partner on the Palestinian side who seeks the same goal rather than calling for Israel's destruction and death to the Jews.

A Hamas-controlled Palestinian Authority is an enormous threat to United States strategies to ensure regional stability, to counter terrorism, and to promote tolerance and true democratic reform. The President and the Congress have been clear on the conditions that must be met for U.S. assistance to be provided to the PA in its entirety. The Hamas-led PA must renounce terrorism, must disarm extremists, recognize Israel as an independent, democratic, sovereign, Jewish state, and commit to prior commitments by the PA.

I sincerely hope that we do not waver from these commitments. I would appreciate it if, in their testimony, the panelists would address news reports saying that the Administration has significantly eased its opposition to Hamas and that the State Department has established guidelines to ensure continued U.S. financial and other support to a Hamas-controlled PA.

The EU, as we know, decided to continue to fund a PA Government led by Hamas without first demanding that they change their charter and abandon terrorism. A senior Hamas leader expressed his satisfaction with the fact that the EU reversed its position re-

garding the freezing of funds "without Hamas having to make any concession or yield to pressures." U.S. policy must be different than the EU. Thank you, Mr. Chairman.

Chairman HYDE. Mr. Berman?

Mr. BERMAN. Mr. Chairman, thank you. I just came back from the Middle East. I had the opportunity briefly to speak with Ambassador Welch and General Dayton and appreciate very much the work that they are doing.

Two quick points. One, to my friend, the Chair of the Subcommittee, I do not understand the EU decision to have been as you described. There is a difference of opinion about, during this interim period before the government is formed, whether assistance should continue to the Palestinian Authority. The EU position is that assistance should be provided.

I do not understand that the decision they made that was announced was a decision to continue assistance to the Palestinian Authority at the point where Hamas forms the government. If it is such a decision, then it is a serious, serious blow because you are absolutely right; they have in no way done anything to meet the three requirements. I think it is very important for us to remember not to let the wish govern the thought.

Even from that *Washington Post* interview, which was later renounced by the person designated to be the prime minister under this authority, there is no indication whatsoever that Hamas is prepared to meet the three conditions or is willing to or is even seriously entertaining that fact, and we should not let our hope that things can go normally and that the zebra can change its stripes and that good governance and a government that is prepared to live in coexistence with and recognize the legitimacy and the right to exist of the state of Israel is coming into place because there is no evidence that that is the case.

Therefore, the assistance which Israelis, Americans, and hopefully Europeans, and others believe should continue on a humanitarian basis not to the Palestinian Authority—it is very important—is definitely not intended to be assistance to the PA. Thank you.

Chairman HYDE. The gentleman's time has expired.

Mr. Tancredo of Colorado?

Mr. TANCREDO. Nothing, sir.

Chairman HYDE. Mr. Delahunt of Massachusetts?

Mr. DELAHUNT. Thank you, Mr. Chairman, and I will just take the time to pose a question that I hope will be answered during the course of your testimony, and it is a point, I think, that was implicit in the statement of the Ranking Member, Mr. Lantos.

I would like to hear from either the Ambassador or from General Dayton the support coming from the United Arab Emirates for Hamas, and do you anticipate that that support will continue from the United Arab Emirates for Hamas, if, in fact, it exists? I yield back.

Chairman HYDE. Mr. Paul of Texas?

Mr. PAUL. Thank you, Mr. Chairman. I just have one brief point to make, and that is that foreign interventionism, the policy that we follow in this country, always has unintended consequences, and this quandary that we face in Palestine right now is a perfect

example of how we helped to create these problems. Not too many years ago, both Israel and the United States helped create and encourage Hamas, yet now that has come back to haunt us, and that is not unlike our token type of alliance and help to Osama bin Laden and Saddam Hussein in the past.

But then we spend a lot of lives and a lot of money promoting the principles of democracy, and then we even use some of our money to try to influence elections around the world, including the one in Palestine, and when it does not go our way, then we go back to an attempt to form another group similar to Hamas to counterbalance Hamas, just as we did to counterbalance Arafat and the PLO.

I would suggest that there are too many unintended consequences of foreign interventionism, and, worst of all, we lose credibility. What we are doing over there now tends to make us look badly with almost every Arab Muslim nation. So I still argue the case for nonintervention, which is a tradition that the American people followed and our country followed for a long time. It is too bad we do not give it serious consideration today, and I yield back.

Chairman HYDE. Ms. Watson of California?

Ms. WATSON. Thank you, Mr. Chairman. I want to associate myself with the remarks that you made about the death of the Embassy officer. Protection of our Embassies is a top priority, as protection of our ports. I think it is foolhardy to put the ownership and management of any port in the hands of a foreign nation, regardless, and I think we need to do more oversight in this Committee of our foreign policy. Thank you, Mr. Chairman, and I yield back the balance of my time.

Chairman HYDE. Mr. Poe of Texas?

Mr. POE. Thank you, Mr. Chairman. The Palestinian elections held just over a month ago have great potential to aggravate the tense situation in the Middle East. Hamas, under the banner of change and reform, did win a majority of the seats in the Palestinian Legislative Council. This is the same Hamas that has been designated a foreign terrorist organization by the State Department of the United States. It is now in a position to negotiate as a so-called bona fide player in the Middle East. Hamas's steadfast refusal to disarm, their saber rattling, and their insistence of the destruction of Israel is a penetrating siren of warning to all nations that value true freedom and democracy.

They must prove their desire to reform by renouncing terror and recognizing Israel's absolute right to exist. No rhetoric, just results. Hamas should not receive any money, not a dime, from the United States or our allies until we see some proof. Otherwise, the money we send to Hamas may become blood money for terrorists.

Mr. Chairman, there should be no tribute for terrorists or terrorist nations. Thank you, Mr. Chairman.

Chairman HYDE. Mr. Sherman of California.

Mr. SHERMAN. The Hamas platform specifically calls for ethnically cleansing the entire Middle East of 5 million Israelis. It implicitly calls for their genocide. The fact that the Palestinians voted for Hamas is not a reason to view Hamas as benign but, rather, to acknowledge that the Palestinians voted for malignancy. I join

with Mr. Lantos and so many others in saying that we should give nothing to an Hamas-led government, no matter what face is put in front of it, and that we should limit all of our aid to the Palestinians to humanitarian aid. I would go further and say that even that humanitarian aid should be very limited.

Any aid helps Hamas politically, and every dollar we give to the Palestinian humanitarian aid is a dollar we have taken away from child survival, AIDS, malaria, Darfur, Congo, earthquake and flood victims around the world.

Finally, I join with Mr. Lantos in calling for hearings of this Committee to deal with the port situation because of the direct connection. Just a few months ago, Hamas posted a press release praising the UAE for its generous aid to that terrorist organization. The response of the UAE was to bask in the glory of being praised by Hamas. So much money has been raised in the UAE for Hamas with the full support of the leaders of that government. The President of the UAE serves on the board of a charity which funds dollars to Hamas and other terrorist organizations. I am not sure these folks ought to be running our ports. I look forward to hearings and, hopefully, a markup. I yield back.

Chairman HYDE. Mr. Barrett of South Carolina.

Mr. BARRETT. I yield back.

Chairman HYDE. Thank you. Mr. Engel of New York?

Mr. ENGEL. Thank you, Mr. Chairman. To those who say, well, this was a free and democratic election, I say, with choices in elections, there are consequences, and just because the Palestinian people voted for Hamas does not mean that we should just go merrily along and pretend that everything is fine.

Everyone mentions, and it is only fair and just, that until Hamas renounces terrorism, recognizes Israel's right to exist, and abides by all previous agreements that were signed by the Palestinians, there should be no aid to Hamas. I am very much chagrined when Russia and some of the European nations, typically not having any spines or backbones, once again are showing that they are looking to sort of cut corners and finesse the situation.

There ought to be pressure on Hamas until they understand that there are, again, consequences. I believe that this Committee, again, should, as was mentioned in the past, have many hearings, many oversight hearings, on this issue, on the ports issue, on all of these issues because, again, as my colleague, Mr. Sherman, said, it is all connected.

I had the occasion to meet with Mr. Abbas with Senator Obama before the elections, and it occurred to me that Mr. Abbas may be well-meaning, but the moderates there really need to grab the bull by the horns. In some ways, there is a silver lining in everything. I do not want to see a coalition government, frankly, with the Palestinians because this will give Hamas a way to hide. It will give Hamas a way to finesse the situation. It will give the government a way to somehow try to pretend that they can continue business as usual with Israel and with the United States and with the West, and Hamas, therefore, would not have to change any of its positions.

Chairman HYDE. The gentleman's time has expired.

Mr. ENGEL. Thank you, Mr. Chairman. Let me just finish by saying pressure needs to be put on Hamas to change its positions, or there will be consequences, and the pressure has got to come from the United States. Thank you, Mr. Chairman.

Chairman HYDE. Mr. Chabot of Ohio?

Mr. CHABOT. Mr. Chairman, in order to get to the witnesses more quickly, I will yield back. Thank you.

Chairman HYDE. Thank you, sir.

Ms. Lee of California?

Ms. LEE. Thank you, Mr. Chairman. I agree, Hamas must renounce violence. By renouncing violence and recognizing Israel, Hamas can bring the Palestinian Authority into stronger negotiations in terms of their position to achieve its ambitions of sovereignty, self-government, and the Palestinian state.

The democratic election of Hamas, of course, is far from ideal, but it is also precisely the time for the United States to aggressively pursue the roadmap and to encourage all parties to resume negotiations. I believe that these negotiations should encourage the Palestinian Authority, require the Palestinian Authority, to reiterate its commitment to Israel's right to exist and also to the processes and to the outcomes that are envisioned in the roadmap.

The stability and security of both the Palestinian and Israeli people depend upon continued engagement, and I believe that we have a duty, as the United States of America, as a country that is trying to work toward peace and security in the Middle East, we really have a responsibility to ensure that continued engagement increases so that tensions not be allowed to give rise to further chaos and to further violence.

Thank you, Mr. Chairman, and I yield the balance of my time.

Chairman HYDE. Thank you. Mr. Wilson of South Carolina?

Mr. WILSON. Nothing, sir.

Chairman HYDE. Ms. Berkley of Nevada?

Ms. BERKLEY. Thank you, Mr. Chairman, and thank you, gentlemen, for being here with us.

While the Palestinian people took an historic step toward voting out the old guard and the remnants of Yasser Arafat's corrupt political machine, they, unfortunately, took two steps back in electing Hamas to a majority in the Palestinian legislature. A Palestinian legislature ruled by Hamas, in my opinion, threatens the peace and stability of the entire Middle East. Hamas is a terrorist organization. It has killed more than 500 people since 1989, including two dozen United States citizens. Its involvement in the political process has not altered its stated goal of destroying Israel. Electing Hamas is the equivalent of electing the Taliban or Al Qaeda to govern the Palestinian territories.

Hamas must disavow its stated goal of destroying Israel and change its charter to recognize Israel's right to exist as a free and independent Jewish state. If these reforms are not made immediately and carried out with conviction, Hamas should not be recognized as a legitimate party in the democratic process, and until Hamas disarms, renounces violence, and recognizes Israel's right to exist, it is my opinion we should end all United States aid to the Palestinians. I am also opposed to any humanitarian aid.

One of the low points in our relations with our so-called Arab allies was when Secretary of State Condoleezza Rice was in the Middle East recently standing next to the Egyptian representative, who looked at her, and after her requesting that they do not support Hamas with aid, said that they were going to do it anyway. This is a country that we give \$2 billion of aid to spit in our faces. The Saudis, who are the largest exporters of terrorism and the largest financiers of terrorists throughout the world,—

Chairman HYDE. The gentlelady's time has expired.

Mr. Meeks of New York?

Ms. BERKLEY. Thank you.

Mr. MEEKS. Thank you, Mr. Chairman. I will be brief. It seems clear the ball is in Hamas's court. There are three things they have to do—it is just that simple: Renounce violence, the absolute right and recognition of Israel to exist, and accept and honor all prior agreements, as any sovereign nation would be. We, in the United States, no matter what President was here, we have got to honor agreements. But the ball is in their court. We should not, and cannot, fund Hamas or send money over there until we know that they accept the terms of the agreement. It is just that plain and simple. I yield back.

Chairman HYDE. Mr. Schiff of California?

Ms. SCHIFF. The rejection of the corruption of Fatah, and that, I think, is what happened in the Palestinian elections, has to be a lesson for us with respect to other regimes in the region and what might follow the collapse of those regimes.

We cannot support a Hamas government. We just cannot, and I have no confidence in anything but the longest of terms that Hamas will change, and our unwillingness to support Hamas is not a rejection of democracy or the democratic process, but the fact that the Palestinians chose a terror organization to be their new governing party does not require the international community, and does not require the United States, to support that terrorist organization or its government.

Elections do have consequences, and I think we need to use all of the instruments of our diplomacy to provide a united front to cut off Hamas from financial assistance, and that includes nations in the region, particularly nations that receive large amounts of American assistance. Nations that have recognized Israel's right to exist cannot be allowed the duplicity of saying, we have treaties and agreements to recognize Israel's right to exist, but we also support financially those that are determined to wipe Israel off the map.

I look forward to hearing from you how we intend to use those diplomatic instruments and what we can do here in the Congress to assist in that effort, and I yield back the balance of my time.

Chairman HYDE. Mr. Cannahan of Missouri?

Mr. CANNAHAN. Thank you, Mr. Chairman. With the electoral victory of a known terrorist organization whose own charter calls for the destruction of Israel, it is obviously a setback in the peace process in the Middle East. We now find ourselves in an interesting situation. Our country pushed for free and fair elections, but now we are faced with the reality that a terrorist organization has won

those elections. The axiom that elections have consequences is particularly appropriate in this situation.

Hamas continues to reiterate their commitment to the destruction of Israel. Therefore, we cannot, and should not, support any organization that has such a position. Both the United States and the European Union recognize Hamas as a foreign terrorist organization. Both the U.S. and the EU have provided hundreds of millions of dollars in development aid to the PA over the last several years. Should this financial support continue, much of the money could flow into the coffers of Hamas without any oversight of the U.S. or the international community.

The obvious conclusion that we can all draw from this is that U.S. and EU development aid will end up being used by Hamas to carry out terrorism-related activities, both against Israel and elsewhere.

We must also deal with the fact that a nuclear Iran is a direct ally of Hamas. While the implications of a nuclear Iran are far reaching, its impact on Hamas has the ability to be seen far and wide. We need to concentrate on steps that both the United States and our allies around the world can take to prevent Iran from gaining further influence in Hamas.

I look forward to hearing your testimony here today, gentlemen. Thank you.

Chairman HYDE. Thank you. Mr. Fortenberry of Nebraska?

Mr. FORTENBERRY. Thank you, Mr. Chairman. I appreciate you holding this hearing today to examine United States policy toward Palestinians at this watershed moment for the Middle East, and I appreciate the witnesses joining us today.

The quartet of nations has been unambiguous in its call for Hamas to renounce violence and its goal to destroy Israel. The United States has also been unambiguous on the position that providing U.S. Government assistance to any entity that has the goal of the destruction of Israel is unthinkable, yet Hamas appears intransigent as the world looks on, and Iran seeks to use this opportunity to extend its influence in the region as well.

While it is clear that the Palestinian people voted for change and government accountability, it is also clear that a majority of them favor the restoration of the peace process galvanized by the Oslo Accords.

In assessing United States policy in view of Hamas's success in the recent Palestinian elections, I believe that we must be careful not to isolate voices of moderation and play into the hands of those who would promote and extol terror. In the interest of our national security, the ultimate aim of United States-Middle East policy is to seek a just outcome for people who thirst for peace and a better life. We need to be very thoughtful and deliberate as we contemplate the best means to achieve this outcome, maintaining the flexibility to communicate with Palestinians who share our commitment to peace and who have worked to promote a constructive Israeli-Palestinian dialogue.

I am keenly interested in your testimony and hearing your perspectives today on the possible parameters of our potential engagement with such Palestinians, as well as our efforts to assist the development of civil society and to mobilize an international con-

sensus that facilitates the Palestinian full and unconditional renewal of its current international commitments. Thank you, Mr. Chairman.

Chairman HYDE. Thank you, sir.

And, last, Mr. Wexler of Florida.

Mr. WEXLER. Thank you, Mr. Chairman. I believe much of what needs to be said has been said. I would just like to take maybe a small different tack for a moment.

I believe Ambassador Mark Ott is in the room. Mr. Ott serves as the EU envoy to the Middle East. I acknowledge his presence for two reasons: One, because he is a gentleman of high standing and very significant caliber, but also because I think there are two models of leadership that we have seen employed: The Iraq model and the Iran model. The Iraq model, where America led, and we had a division with Europe and a division within Europe, and the Iran model where the United States and Europe have essentially worked together.

I think all of us, in the pursuit of what we believe is America's interests, would prefer the Iran model of leadership for America as it applies particularly to Hamas. I say this in the hope that if we are to successfully defend the principles that were enunciated by the quartet, it is going to require that both Europe and the United States work together in concert to isolate those that refuse to acknowledge the principles so artfully outlined by the quartet.

Thank you, Mr. Chairman, for giving me that time.

Chairman HYDE. Thank you, Mr. Wexler.

C. David Welch was sworn in as Assistant Secretary of State for Near Eastern Affairs on March 18, 2005. Prior to his appointment, he served as the American Ambassador to the Arab Republic of Egypt from 2001 to 2005. A career Foreign Service officer, Ambassador Welch has served in key positions in the Middle East.

Mr. James Kunder is Assistant Administrator of the Bureau for Asia and the Near East at the U.S. Agency for International Development. From July 2002 to 2004, he served as Deputy Assistant Administrator for Asia and the Near East. Mr. Kunder has extensive governmental and private sector experience in assistance and international development.

Lieutenant General Keith W. Dayton has served as United States Security Coordinator for Israel and the Palestinian Authority since December 2005. Most of his time has been spent operating from the region. Prior to his current position, General Dayton served as Director of Strategy, Plans, and Policy in the Office of the Deputy Chief of Staff for the United States Army.

Ambassador Welch, please proceed with a 5-minute summary of your testimony. Your full statement will be made a part of the record.

STATEMENT OF THE HONORABLE C. DAVID WELCH, ASSISTANT SECRETARY, BUREAU OF NEAR EASTERN AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. WELCH. Thank you, Mr. Chairman. Thank you also for your kind and respectful words for our colleagues in Karachi, Pakistan. I appreciate the opportunity to work with this Committee, and on behalf of those of us who work in this particular area of the world,

the Near East, and, of course, our colleagues in South Asia, I am grateful that you recognize the contribution of all of us.

I am pleased to have the opportunity to come before this Committee at this important time. Although a great deal has transpired in the course of my first year as assistant secretary, as you have, I am going to focus my remarks today on the last 2 months, a time of important changes in the Israeli-Palestinian area.

On the 25th of January, the Palestinians voted in Legislative Council elections the first parliamentary vote in 10 years. These elections were free and fair, characterized by good security and high voter turnout, and they reflect the growing trend toward more democratic opportunity throughout the Middle East.

As you know, our commitment to democracy is not measured by the achievement of a particular electoral result. Democracy is not always a process that produces outcomes that are in accordance with our desires. Hamas won a victory over Fatah in the Palestinian elections, and in light of that victory, we have to grapple with some difficult questions about the future of our relationship with the Palestinian Authority, the likelihood of a terrorist group in the Palestinian Government, and our assistance programs in the Palestinian territories.

Let me say at the outset that our commitment to the security of Israel remains unshakable. We continue to consult closely with our ally and friend on ways forward in light of these developments. During my meetings with Israeli officials, as recently as this past weekend, I found that we largely share goals and concerns. In the broader international context, together with our quartet partners, we have outlined a strategy that is based on principle and pragmatism.

It was United States leadership that led to the January 30 quartet statement that expressed our belief that the Palestinian people have the right to expect a new government to address their aspirations for peace and statehood. With governing comes responsibility. We stated that any future assistance to any Palestinian Government will be reviewed against that government's commitment to three principles: Abandonment of terror and violence, recognition of Israel, and acceptance of previous agreements and obligations. It is not possible to pursue a peaceful life for your people while you engage in terrorism, nor is it possible to make peace with a country whose very right to exist you deny.

Thus, we have placed the onus squarely on Hamas. Hamas will now have to bear responsibility for the decisions it makes and face up to the consequences of those decisions, which will shape the international community's approach to issues involving the Palestinians and regional peacemaking efforts.

Until a new government is formed, we are cooperating with the international community to facilitate the work of the caretaker government. In the last month, we have worked with Arab governments and the international communities to stabilize the finances of the Palestinian authority until a new government takes over. In December, Saudi Arabia and Qatar pledged additional support for the PA, and, more recently, Russia has done so. We continue to maintain close contacts with President Abbas and Acting Finance

Minister Jihad Al-Wazir to maintain the financial viability of this caretaker government.

The Hamas victory has necessitated a thorough interagency review of our assistance program for the Palestinians, which is diverse. As this Committee knows, most assistance has been provided directly to the Palestinian people through NGOs and contractors. Our review encompasses each and every U.S. Government assistance effort involving the Palestinians and includes any assistance provided to the Palestinian Authority itself. The work of this review is well advanced.

We expect to be able to recommend ways forward to our senior leadership in the days to come and to receive their guidance. I can say that, as part of that effort, we have already requested, and the Palestinian Authority has agreed, to return the unexpended balance, which we calculate to be in excess of \$45 million, of funding provided last year for infrastructure projects in Gaza. This is the \$50 million set-aside.

Let me briefly outline principles that are guiding this review. First, we have not, we do not, and we will not provide assistance to Hamas in government or out of government. Second, because it serves important United States national interests, we are looking for ways to continue to help the Palestinian people, particularly through provision of assistance to help meet basic humanitarian needs. Third, our policy will be logical and consistent in order to both send a clear signal to the Palestinians of our expectations and also to secure the support and emulation of an international donor community which provides considerable Palestinian aid. Finally, we will ensure close consultation with the Congress and, of course, this Committee, in particular, as well as with key friends in the region, as our review is completed.

We have encouraged our neighbors in the international community to similarly review their assistance efforts based upon the principles set forth by the quartet. The international community has a critical role to play as we move forward, and we are working to ensure that Hamas receives the consistent message that it must commit to the principles of ending violence and terror, recognizing Israel, and accepting previous agreements.

It is important to remember that the Palestinian people's aspirations to live in peace remain strong. Although Hamas won a majority of the seats in the PLC, it won those seats on the basis of a narrow plurality of votes. Hamas was able to turn that narrow plurality of popular votes into a larger number of seats due to superior organization during the election and idiosyncrasies of the bloc voting system for a portion of the seats in the elections. Opinion polls and analysis of the balloting suggests the vote for Hamas was more a protest against Fatah's governance record than a vote of support for Hamas's political agenda. We continue to believe that the Palestinian people support the policies of President Abbas, whom they also elected on a platform of peace just over a year ago. President Abbas has made clear in his speech on February 18 that he expects the future government to accept previous agreements and obligations between the parties and adhere to a negotiating process with Israel aimed at a two-stage solution.

The challenge we face in the coming months is to continue to demonstrate to the Palestinian people that their interests and aspirations are best served by supporting those who share a vision of the path of peace. It will be important for us to maintain contact with and support to moderate Palestinian voices. Democracy is a right, but elected officials must act responsibly and accept the consequences of their decisions. Elections do not wash away all sins. Hamas was responsible for dozens of suicide bombings in the past decade, and, by its own statement, the current calm is only a tactical lull.

It is up to Hamas to embrace change to better pursue achievement of the desires of the Palestinian people to live in peace or to take responsibility for the consequences of its failure to do so. You cannot deliver a peaceful and better life for your people if you are not committed to peace.

Thank you very much, and after my colleagues speak, I will be happy to take your questions.

[The prepared statement of Mr. Welch follows:]

PREPARED STATEMENT OF THE HONORABLE C. DAVID WELCH, ASSISTANT SECRETARY,
BUREAU OF NEAR EASTERN AFFAIRS, U.S. DEPARTMENT OF STATE

Thank you, Mr. Chairman. I'm pleased to have the opportunity to address the committee today. Although a great deal has transpired in the course of my year as Assistant Secretary, I would like to focus my remarks today on the last two months, a time of important changes in the Israeli-Palestinian arena. On January 25, Palestinians voted in Legislative Council Elections, the first parliamentary vote in ten years. These elections were free and fair, characterized by good security and high voter turnout, and reflect the growing trend towards democracy throughout the Middle East.

As you know, our commitment to democracy is not measured by the achievement of a particular electoral result; democracy is not always a process that produces outcomes that are in accordance with our desires. Hamas won a victory over Fatah in the Palestinian elections, and in light of that victory, we have had to grapple with some difficult questions about the future of our relationship with the Palestinian Authority, the likelihood of a terrorist group in the Palestinian government, and our assistance programs in the Palestinian territories.

Let me at the outset say that our commitment to the security of Israel remains unshakable and that we continue to consult closely with our ally and friend on ways forward in light of these developments. During my meetings with Israeli officials over this past weekend, I found they largely share our goals and concerns. In the broader international context, together with our Quartet partners, we have outlined a strategy based on both principle and pragmatism. The January 30 Quartet statement expressed our belief that the Palestinian people have the right to expect a new government to address their aspirations for peace and statehood. With governing comes responsibility. We stated that future assistance to any Palestinian government will be reviewed against that government's commitment to three principles: abandonment of terror and violence, recognition of Israel, and acceptance of previous agreements and obligations. It is not possible to pursue a peaceful life for your people while you engage in terrorism, nor is it possible to make peace with a country whose very right to exist you deny. Thus, we have placed the onus squarely on Hamas. Hamas will now have to bear responsibility for the decisions it makes and face up to the consequences of those decisions, which will shape the international community's approach to issues involving the Palestinians and regional peace-making efforts.

Until a new government is formed, we are cooperating with the international community to facilitate the work of the caretaker government. In the last month, we have worked with Arab governments and the international community to stabilize the finances of the Palestinian Authority until the new government takes over. In December Saudi Arabia and Qatar pledged additional support for the PA, and more recently Russia has done so. We continue to maintain close contacts with President Abbas and Acting Finance Minister Jihad Al-Wazir to maintain the financial viability of the caretaker government.

The Hamas victory has necessitated a thorough interagency review of our assistance program for the Palestinians, which is diverse. As this committee knows, most U.S. assistance has been provided directly to the Palestinian people, through NGOs and contractors. Our review encompasses each and every USG assistance effort involving the Palestinians, and includes any assistance provided to the Palestinian Authority itself. The work of this review is well advanced, and we expect to be able to recommend ways forward to our senior leadership in the days to come and to receive their guidance. I can say that as part of that effort, we have already requested, and the Palestinian Authority has agreed, to return the unexpended balance—in excess of \$45 million—of funding provided last year for new infrastructure projects in Gaza.

Let me briefly outline the principles that are guiding this review. First, we have not, do not, and will not provide assistance to Hamas—in government or out of government. Second, because it serves important U.S. national interests, we are looking for ways to continue to help the Palestinian people, particularly through provision of assistance to help meet basic humanitarian needs. Third, our policy will be logical and consistent in order both to send a clear signal to the Palestinians of our expectations, and also to secure the support and emulation of an international donor community which provides considerable Palestinian aid. Finally, we will ensure full consultation with the Congress and with key regional interlocutors once our review is completed.

We have encouraged our neighbors in the international community to similarly review their assistance efforts, based on the principles set forth by the Quartet. The international community has a critical role to play as we move forward, and we are working to ensure that Hamas receives the consistent message that it must commit to the principles of ending violence and terror, recognizing Israel, and accepting previous agreements.

It is important to remember that the Palestinian people's aspirations to live in peace remain strong. Although Hamas won a majority of seats in the PLC, it won those seats on the basis of a narrow plurality of votes. Hamas was able to turn that narrow plurality of popular votes into a larger number of seats due to its superior organization during the election and idiosyncrasies of the bloc voting system used in the elections. Opinion polls and detailed analysis of the balloting suggest the vote for Hamas was more a protest against Fatah's governance record than a vote of support for Hamas' political agenda. We continue to believe the Palestinian people support the policies of President Abbas, whom they elected on a platform of peace just over a year ago. President Abbas made clear in his speech on February 18 that he expects the future government to accept previous agreements and obligations between the parties and adhere to a negotiating process with Israel aimed at a two-state solution.

The challenge we will face in the coming months is to continue to demonstrate to the Palestinian people that their interests and aspirations are best served by supporting those who share a vision of the path of peace. It will be important for us to maintain contact with and support moderate Palestinian voices. Democracy is a right, but elected officials must act responsibly and accept the consequences of their decisions. Elections do not wash away all sins. Hamas was responsible for dozens of suicide bombings in the past decade, and by its own statements, the current "calm" is only a tactical lull. It is up to Hamas to embrace change to better pursue achievement of the desires of the Palestinian people to live in peace or to take responsibility for the consequences of its failure to do so. You cannot deliver a peaceful and better life for your people if you are not committed to peace.

Thank you, and I will be happy to take your questions.

Chairman HYDE. Thank you. Mr. Kunder?

STATEMENT OF THE HONORABLE JAMES R. KUNDER, ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA AND THE NEAR EAST, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. KUNDER. Thank you, Mr. Chairman. I want to echo David's comments and appreciation for your statement, Mr. Lantos, Ms. Watson, and others about the staff who were killed in Pakistan. I was just on the phone with our USAID mission director there. Many of those folks are working around the clock right now to do earthquake relief, and so they will very much appreciate the thoughts of the Congress, and I will certainly pass those on. I espe-

cially appreciate your mentioning Mr. Achmed, the local employee who was killed, because we do have very, very many dedicated Pakistani and other employees around the world as part of our Embassy teams.

I would just summarize very briefly my statement. There were three main points I tried to make in the statement. Number one, I was asked by the Committee explicitly to talk about the humanitarian situation in the West Bank and Gaza, and as the Chairman mentioned and as other Members mentioned, the situation has deteriorated significantly in the last 4 years, both in terms of per capita income, in terms of health indicators of the general population, including children; in terms of the amount of disposable income that Palestinians have available; in terms of nutritional status. Because of the Intifada and the related closures, the overall humanitarian situation in the West Bank has become dramatically worse in the last 4 years. For example, in the Gaza strip, unemployment now exceeds 50 percent, which is obviously a contribution to some of the political attitudes in the region.

The second point I made, and just to back up what David said, because there have been a lot of comments this morning so far about aid to Hamas, I want to make it very clear that we take very seriously our responsibility, as defined by the Congress, to oversee the U.S. taxpayers' dollars. While we are not perfect, we are making every effort to ensure that not one single dollar of taxpayers' money goes to Hamas or to any other foreign terrorist organization.

We have in place a multilayered system to vet the individuals and organizations who receive assistance from the U.S. Government, to require a certification from every organization we work with, to have a detailed set of audits by our inspector general on how we spend the money, and to the extent possible under the security circumstances that prevail on the ground, to get Americans or Foreign Service employees out to look at the projects, lay eyes on the projects to make sure that the dollars are being spent for what they were intended to be spent for.

The system is not perfect. We are striving for 100-percent perfection, but it is a very carefully monitored system to ensure that not a single dollar goes to Hamas as an organization or any of its representatives, and as David said, we will continue to try to make that system as foolproof and as tight as possible.

The third point I wanted to make is just to go over very briefly with the Committee, and this is the one slide I presented here of the pie chart, to give a quick overview of exactly what the U.S. foreign assistance program in the territories consists of right now. It is because of our strong U.S. Government support for the peace process and for Gaza disengagement, it is a multifaceted program. Starting in the upper-right quadrant, from 12 o'clock o'clock to 2 o'clock, about 14 percent of the foreign assistance goes to economic growth. This is micro-enterprise loans to Palestinian women. It is support for the Palestinian Marble Association, a private sector business group, to increase marble exports and job creation in the West Bank. It is those kinds of economic activities.

The pink, democracy-in-governance slide, about 8 percent of United States foreign assistance goes for helping run the elections, to help create an independent supreme court in the Palestinian ter-

ritories, to support municipal governments as opposed to the Palestinian Authority itself, and to support civil society organizations—lawyers' associations, women's associations, and so forth—to create an effective voice for the Palestinian people to lobby their own government.

About 7 percent of the money, the yellow, goes for health care in the territories.

About 8 percent goes for education, and this includes building local schools. It includes scholarship programs for Palestinian youth to attend school in the United States and also to attend Palestinian universities, focused on the poorest and most isolated parts of the population.

About 29 percent goes for water and other infrastructure projects. Obviously, waters, that is to say the supply of drinking water and the treatment of waste water, is a critical issue in that water-deprived part of the world. The water aquifers obviously do not respect the boundaries between the West Bank and Israel or Gaza and Israel, so these interventions benefit the Israelis as well in terms of water supply and water purity, and obviously the water conditions are directly related to the health care conditions in the territories.

Continuing from 7 to 10 o'clock, the border crossings. About 15 percent of our foreign assistance program is the congressionally mandated purchase of scanning equipment for the border crossings, both to increase the exports from the territories, most of which go to Israel, and to increase Israeli security. So about 15 percent is the purchase of American-made security equipment at the border crossings.

And, finally, the last quadrant, the financial assistance, is what Ambassador Welch talked about earlier. About 19 percent of our assistance up to this point has been in the form of cash transfers, obviously discussed with the Congress, to the Palestinian Authority, and it is that money that has been requested back from the Palestinian Authority, and we have, as the Ambassador just testified, an agreement by the Palestinian Authority to return the great bulk of that money.

So the picture I want to paint for you is that we have a multi-varied foreign assistance program in the territories. Much of it is humanitarian in nature, directly benefiting health and water. Others are to reach out to moderate elements like business groups, lawyers' associations, and so forth within the Palestinian community. All of this is done under the very careful vetting procedures I described earlier.

With that, Mr. Chairman, I conclude my testimony and would be glad to answer any questions you have. Thank you.

[The prepared statement of Mr. Kunder follows:]

PREPARED STATEMENT OF THE HONORABLE JAMES R. KUNDER, ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA AND THE NEAR EAST, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman, thank you for the opportunity to testify on the humanitarian and economic situation in the West Bank and Gaza, as well as aspects of the U.S. assistance program.

Much has taken place since the last time I had the opportunity to brief the committee a year ago on the USAID program in the West Bank and Gaza. Israel successfully completed its withdrawal from the Gaza Strip and four settlements in the

northern West Bank; multiple rounds of municipal elections have been held; and most recently the Palestinian legislative elections took place. The results of the parliamentary elections will undoubtedly have implications for U.S. foreign policy and for the U.S. assistance program to the Palestinian people. I would like to begin my testimony outlining the current economic and humanitarian situation on the ground today.

Through four years of the intifada, Palestinians have faced considerable hardships, including a decline in employment opportunities and disposable income, and a decline in the overall quality of life. Shifting its program to meet those needs, USAID helped create jobs, revitalize businesses, build roads and water infrastructure, and meet the health care and nutrition needs of the most vulnerable. However, significant challenges remain.

The economic situation in the West Bank and Gaza has shown some improvement over the past year. The primary reasons for this modest growth are an increase in public expenditures; increased demand from Israel for Palestinian export merchandise and labor; a relaxation of border restrictions and closures; an increase in credit provided to private sector businesses; and an increase in donor disbursements. The Palestinian economy, however, continues to perform much below its potential with per capita incomes remaining some 29 percent below the 1999 level. The legacy of four years of conflict during the intifada and continued closures has resulted in significant reductions in personal incomes, exports, investment, production and employment, particularly in Gaza. The Palestinian economy depends heavily on Israel for exports, imports, and employment. For example, in the first quarter of 2005 over 70 percent of imports came from Israel and 10 percent of all employed Palestinians were employed in Israel or Israeli settlements. High unemployment; limited trade opportunities; and continued closures, as a result of security concerns, both within the West Bank and Gaza and externally, have stymied growth.

Today the Palestinian Authority (PA) is facing an imminent fiscal crisis. In 2005, the PA's budget deficit reached about U.S. \$800 million, of which donors outside the United States financed \$340 million. Short-term borrowing from banks covered the remainder. The PA cannot continue this unsustainable practice. Moreover, 63 percent of the PA's revenue is composed of customs tariffs collected by Israel and then transferred to the PA. The Government of Israel has indicated that because it will not transfer funds that may become available to Hamas, these transfers will be terminated. This will cause immediate and extreme financial pressures on the PA, particularly in its ability to pay the wages of an estimated 150,000 government employees.

With respect to the humanitarian situation, poverty is a major problem with 46 percent of Palestinians living below the poverty level. Income levels have steadily fallen since 1999. A growing class of "new poor" exists—families who have lost their source of income, have no savings left and have had to sell their private and productive assets. High unemployment continues to be a major concern, leading not only to poverty but also to despair and frustration among Palestinian people. Unemployment overall for the West Bank and Gaza is estimated at 23.4 percent compared with 10 percent before 2000. Reaching nearly 50 percent, the unemployment level in Gaza is much higher than in the West Bank. Of particular alarm is a high level of unemployment for youth in both the West Bank and Gaza.

In addition, many families lack the financial resources and resiliency to provide adequately for basic necessities such as food, water, health care, and medicines. It is estimated that 37 percent of Palestinians do not have enough food to meet basic daily nutrition needs, and one in four children under five is anemic due to poor nutrition. Approximately 2,800 children die every year from mainly preventable diseases, and only one-third of new mothers receive follow-up medical care within six weeks after delivery.

Limited access to potable water and to adequate sanitation increases the risk of poor health. Nearly 1.2 million people in West Bank and Gaza, including approximately 200,000 children under the age of 5, lack access to sufficient and affordable quantities of safe drinking water. Proper sewage treatment and disposal is nearly non-existent outside of the cities of Ramallah, Al Bireh, and Gaza City. Scarce groundwater supplies are frequently contaminated by seepage from leaking septic tanks and untreated sewage discharges from larger cities. In this context, the relatively high frequency of diarrhea among children under five—18 percent in any two week period—is not surprising. Frequent episodes of diarrhea can contribute to malnutrition and diminished learning abilities, and have an overall negative impact on childhood development. The humanitarian situation in the West Bank and Gaza is likely to deteriorate even further in the near future, with an expected decrease in donor flows.

Given the political and logistical realities on the ground, managing the U.S. assistance program in the West Bank and Gaza has many challenges. As guardians of U.S. taxpayers' money, we pay particular attention to the appropriate and secure use of foreign assistance funds. In order to ensure that no U.S. government resources fall into terrorist hands, USAID has developed an extensive system of safeguards, monitoring, and evaluation to make sure the aid program in the West Bank and Gaza is completely transparent and accountable.

The first step of this process is the formation of a cohesive strategy for development projects in the West Bank and Gaza that meets U.S. foreign policy objectives while at the same time responds to the needs of the Palestinian people. In developing this strategy, USAID undertakes extensive reviews of previous projects and holds consultations with a wide variety of stakeholders including the Government of Israel, other governments and donors, locally based non-governmental organizations (NGOs) and other representatives of the Palestinian people. The majority of USAID funds are awarded through a full and open competitive procurement process to implementing partner organizations and individual aid recipients. This open competition ensures that our taxpayers and ultimate beneficiaries receive the best goods and services available.

USAID implements several formal anti-terrorism measures including: vetting; the anti-terrorism certification; and mandatory clauses reminding contractors and grantees of their legal duty to comply with applicable anti-terrorism laws and regulations. Before making awards, USAID requires all U.S. and non-U.S. organizations to certify that they do not provide material support or resources for terrorism. This "Anti-Terrorism Certification" applies to all first-tier and second-tier assistance recipients and has been in effect since 2002. All NGOs that receive USAID funds are required to sign this certification. All contracts and grants also contain a mandatory clause reminding awardees of their duty to comply with U.S. laws and Executive Orders prohibiting assistance to terrorist organizations.

Since 2001, USAID has vetted recipients of U.S. assistance. The vetting process involves the personal knowledge of USAID and other staff and searches of databases maintained by other U.S. government agencies, including the Embassy in Tel Aviv and the Consulate General in Jerusalem. Among other things, this review includes checking the list of parties excluded from federal procurement and non-procurement programs (suspended/debarred list) and checking the Office of Foreign Assets Control specially designated nationals and blocked persons lists. USAID also vets beneficiaries if there is any reason to believe that the beneficiary of such assistance commits, attempts to commit, advocates, facilitates or participates in terrorist acts, or has done so in the past.

Once an award has been made, USAID has established procedures to safeguard U.S. investments and ensure the transparency and integrity of U.S. assistance. In order to ensure that funding through local and U.S. NGOs is used only for agreed upon purposes, all NGOs are required to submit quarterly financial reports to USAID on how funds are spent. Also, all significant grantees and contractors' local costs are audited by USAID's Inspector General on an annual basis. In this year alone, the Inspector General audited 80 grantee and contractor awards. In addition to these annual audits, a Congressionally mandated Government Accountability Office audit is also underway.

During the course of program implementation, a comprehensive monitoring and oversight process enables us to assess the impact of programs and to verify contractor and grantee reporting. Given the difficult security and border crossing conditions, USAID has developed assistance interventions that can be effectively monitored by foreign service national staff in West Bank and Gaza, with some assistance from partner organizations. USAID also relies on the use of a Geographic Information System for the West Bank and Gaza program to track the progress of program activities as well as provide spatially oriented, political and socio-economic analysis.

Following Gaza disengagement, USAID programs provided critical assistance to help reinvigorate the Palestinian economy and make disengagement a success. Examples include: the rehabilitation of greenhouses and packing facilities preserving 4,000 jobs and revitalizing the flow of agricultural exports to Israeli and global markets; provision of scanners to expedite cargo traffic at key border crossings; construction/rehabilitation of schools and roads, which also provided much-needed employment opportunities; disbursement of home improvement and micro business loans; and improvements to water treatment and distribution. All told, these and other programs benefited hundreds of thousands of Palestinians.

Also following disengagement, USAID sought opportunities to promote support for a peaceful, prosperous, independent Palestinian state. USAID developed and carried

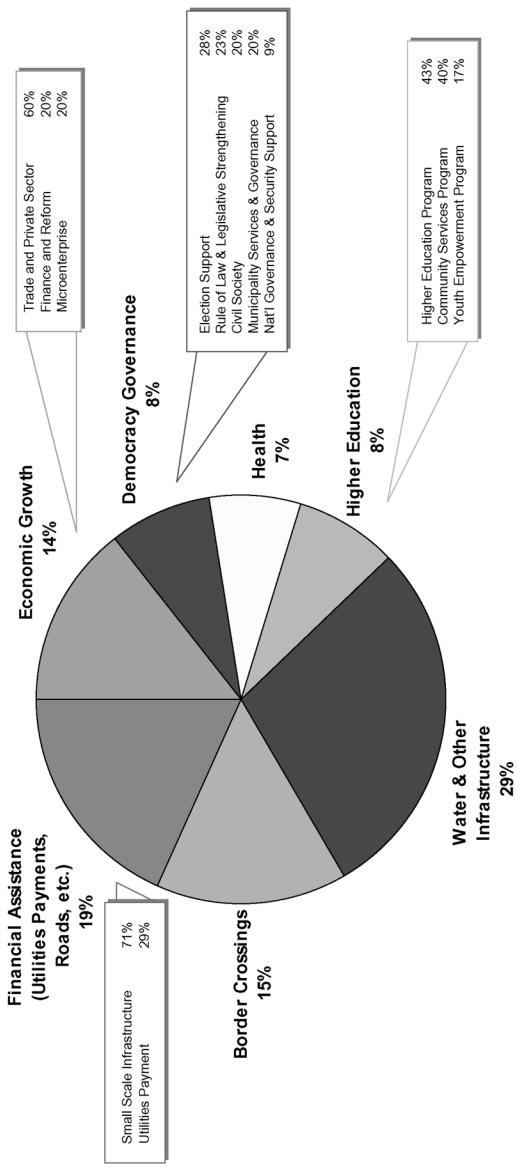
out projects that assisted President Abbas in getting a message out to the Palestinian people about peace, democracy, and development.

Recent polling data demonstrates that USAID's outreach campaign led to an increase in public awareness of the contributions of the American people to the Palestinian people. Of the 46 percent of the Palestinian population who saw the USAID outreach campaign, 50 percent are now aware and appreciative of the contributions of the American people. Seventy-five percent of respondents regard USAID projects as important for their well-being and 49 percent say these projects boost their positive attitude toward the United States and its people.

On January 25, 2006, the Palestinians held what is widely viewed as free and fair elections. The elections resulted in a change of power that clearly will have implications for the U.S. assistance program in the West Bank and Gaza. The U.S. government cannot and will not provide funding that benefits Hamas, which is a designated foreign terrorist organization. We are currently engaged in a review of our policy and a comprehensive review of our assistance programs. The scope of U.S. assistance is quite extensive with a wide range of programs that address basic human needs, engage moderate elements in society, defuse inter-ethnic and inter-religious tensions, support private sector revitalization, and build basic infrastructure. In our view, U.S. assistance still has an important role to play in the West Bank and Gaza to meet basic needs, to mitigate suffering through humanitarian and other assistance, and to maintain engagement with moderate elements. USAID can continue its work with non-governmental and international organizations so that more Palestinian families have access not only to basic food, clean water and healthcare, but also to employment and income generation opportunities and to assistance that promotes moderate views and progress towards the objectives of the Road Map. We will remain vigilant, Mr. Chairman, continuously reviewing and strengthening our safeguards, to assure that such funds go only to organizations that do not support violence or terrorism, and to assure that no U.S. funds flow through, or provide any benefit to, Hamas.

USAID IS BROADLY ENGAGED IN PROGRAMS

FY 2005 OBLIGATIONS



Chairman HYDE. Thank you very much.
General Dayton?

**STATEMENT OF LIEUTENANT GENERAL KEITH W. DAYTON,
UNITED STATES SECURITY COORDINATOR, U.S. DEPARTMENT OF STATE**

Mr. DAYTON. Thank you, Mr. Chairman, and I appreciate the opportunity to address the Committee today. I am just going to highlight a few things that appear in my statement, so I hope everyone had a chance to take a look at it.

Let me start off by saying that it is quite clear that the seismic shift in Palestinian politics produced by the January elections will have profound consequences for the security sector, but I will tell you I think it is still too early to know exactly how those will play out. What we do know, of course, is that prior to the elections, the performance of the Palestinian security forces was disappointing in almost every respect; in confronting terrorists, in collecting weapons, and in consolidating and right-sizing their forces. This ineffectiveness of the Palestinian security forces led the Israelis to conduct unilateral actions in their own defense.

There were a few bright spots. There was good cooperation between the Palestinian security forces and the Israeli defense forces on Gaza disengagement. Good cooperation also occurred during the Palestinian elections, and there is pretty good daily cooperation between the IDF and the Palestinian security forces on the ground in the West Bank today.

I would also note that the predicted internal violence during and post the Palestinian elections did not occur. Nevertheless, the current United States support to the Palestinian security forces is clearly under review.

The Hamas election victory complicates the future efforts at Palestinian security sector reform. It is well-established policy that the United States will have no contact with Hamas or any security agency controlled by Hamas, and I am quite aware of that policy, and I am in total support of that policy.

Nevertheless, we have to also keep in mind that security sector reform is the foundation upon which any long-term success in the Palestinian area will be built. The majority of Palestinians and Israelis want peace, and as I said, Palestinian security reform is central to carrying out that process.

As a result, my team, which is a relatively small, international team, hopes to continue its mission of monitoring and advising on Palestinian-Israeli security coordination and, if it turns out to be possible, on Palestinian security forces' reform. Nevertheless, we are currently at a crossroads where the Palestinians themselves will either have to move forward on disarmament and security consolidation or face confrontation and potential chaos.

Let me note, in closing, that I am convinced that only the United States can lead the effort for Palestinian security reform. I have worked hard in the past weeks to establish credibility with Israelis, Palestinians, quartet members, and the international donor community. My team has the outlines of a campaign plan to guide our efforts, but we must have a capable partner committed to peace. Hamas's failure to accept the principles established so far by the

quartet will halt any ability we have to make progress, and decisions made by a Hamas-run Palestinian Authority Government may very well derail our efforts.

While we must now clearly wait and see how the situation ultimately unfolds, I would encourage all of us to be cautious before we rush to the conclusion that the effort is simply not worth it. As I said earlier, security sector reform remains fundamental to achieving a Palestinian state at peace with its neighbors and responsive to the needs of its people at home.

Thank you, Mr. Chairman, and I will be glad to take any questions.

[The prepared statement of Mr. Dayton follows:]

PREPARED STATEMENT OF LIEUTENANT GENERAL KEITH W. DAYTON, UNITED STATES SECURITY COORDINATOR, U.S. DEPARTMENT OF STATE

Thank you, Mr. Chairman. I appreciate this opportunity to address the committee today.

It is quite clear that the seismic shift in Palestinian politics produced by January's PLC elections will have consequences for the security sector, although it is still too early to know exactly how they will play out.

Let me first address the past and current security situation. As we all know, before elections, the level of activity and performance of the Palestinian leadership and security forces in confronting terrorists, collecting weapons, dismantling terrorist organizations, and consolidating and right-sizing the security sector was disappointing. I believe it was well-understood by Fatah that the future of security reform programs and international assistance rested with progress against these benchmarks, and that inaction would jeopardize future international support. Yet the pre-election campaign environment, the obstacles on the political and economic tracks, and the lack of political will resulted in little progress in either security sector performance or reform. There had been sporadic, localized, internal PA security cooperation. However, such cooperation was not the norm and tended to evaporate quickly due to the PA's internal political crisis. And this ineffectiveness tended to reinforce the Israeli propensity to operate unilaterally in self-defense.

There were some bright spots, which bear mention. Israel's disengagement from Gaza and parts of the northern West Bank went forward in a secure environment and with a great deal of on-the-ground coordination between the Israeli Defense Forces and the Palestinian Authority security forces (PASF). The international crossing at Rafah opened in late November under carefully negotiated security arrangements and with the essential support of the EU's Border Assistance Mission. And, despite an uptick in lawlessness and numerous warnings of violence on election day, the legislative elections went forward without a hitch in a safe, secure, and free environment.

In addition, fears of post-election violence have not, so far, been borne out. Under the current caretaker government, the security services remain more or less in place while the victors and the opposition sort out the political arrangements. On the ground, we see some continuing examples of local cooperation between the Israeli Defense Forces and Palestinian Security Forces as they continue to grapple with the necessities of daily life. In other words, caution and deliberation seem to be prevailing, at least for the moment. And my team and I continue to build upon the efforts started by General Ward to work with the parties and key regional actors to support that stability so that the political and diplomatic levels have time and opportunity to do their work. I want to particularly note contributions of the Government of Egypt, which has made determined and effective efforts to maintain the current state of calm.

With this in mind, we are of course following suit with the other arms of the U.S. Government in reviewing our program and approach in light of Hamas' victory. To date American support for the PASF has focused on advice and guidance to support their own efforts at reform, while playing a coordinating role with the other prospective security donors. For example, under the excellent leadership of General Ward, our team worked with the PA's Ministry of the Interior back in the fall to launch a "white paper" process that would help define a Palestinian National Security Strategy and the missions, roles, and responsibilities of the PASF. We have also had an active role in following up on November's Agreement on Movement and Access, including the EU's work to resolve concerns and complaints about the operations at

Rafah. While we did provide non-lethal equipment to the PASF in the fall to help maintain stability after Israel's disengagement, and worked with other donors—and with Israel—to meet other Disengagement-related non-lethal needs of the PASF, we have refrained from launching any larger-scale program while we sought to understand the scope of the challenge and the necessary next steps.

Prior to the elections, when looking at the question of broad-based security sector reform, it had become clear to me that future efforts would need to go beyond advising and consulting and move on assertive action to function as a "change agent" in advancing reform. It was also clear that any effort of ours or of the international community's would be inseparable from the need for a strong, political-level decision by the Palestinian Authority to move unequivocally away from confrontation with Israel and towards a proper role of protecting Palestinian civilians and preventing terror.

Obviously Hamas' election victory throws these conclusions into question. All agree that Palestinian Authority security performance is key to any progress along the Roadmap and towards the two-state solution. I feel strongly that, in the long-term, effective Palestinian Authority security performance will require broad-based security sector reform—in terms of mandate, structure, personnel, training. Progress on security sector reform, however, is contingent on there being a Palestinian Authority Government in place with which we can work. This of course depends on whether or not the new government chooses to accept the principles that the international community has set out for it. While the Palestinian Authority Presidency might very well continue to maintain its authority over some, or perhaps even all, of the PASF, it is a very complicated legal and policy question of whether we could continue to work with those elements. My team is studying the options and working in close consultation with our diplomatic missions in Jerusalem and Tel Aviv and of course with the policy level in Washington as to where we go next.

The majority of Palestinians, Israelis, and the international community continue to aspire to the two-state solution, and that future state of Palestine would need effective security forces. Working with Palestinian civil society—on ideas related to national security strategy, demobilization of militias, and the inculcation of democratic, civilian governance of security forces—could be one direction. Similarly, it is worth considering what the security architecture of a future Palestinian state *should* look like. There is little reason to think that it should resemble the Arafat-era structure of duplicative roles and competing forces. Clearer role definition, consolidation of services, and right-sizing are only some of the elements that need to be seriously considered in any planning effort.

Regardless of what we can do now or in the near future on the subject of PA security sector reform, importantly, the USSC team would hope to continue to monitor and advise on Israeli-Palestinian security coordination, an important component of the Roadmap and crucial to maintaining any hope of avoiding a major humanitarian disaster.

We are clearly at a crossroads. Until now, PA inertia, political squabbling, and campaigning have stood in the way of a clear and strategic decision to move forward with immediate security action and longer-term, broad-based reform. Palestinian political will—not capacity or capability—has been the primary obstacle to security action. Now we add all the uncertainty and complications of a Hamas-led government. With the elections behind us, the Palestinians and their leadership are now forced to confront a stark choice: implement Abu Mazen's prior commitment to disarm militias, consolidate and reduce security personnel, and move forward with security sector reform through peaceful means. Or choose continued confrontation and potentially chaos.

Let me note in closing that I am convinced that only the United States can lead the effort for Palestinian security sector reform. I have worked hard in the past weeks to establish credibility with the Israelis, Palestinians, Quartet partners, and the international donor community. We have the outlines of a campaign plan to guide our efforts. But we must have a capable partner, committed to peace. Hamas' failure to date to accept the principles established by the Quartet halts our ability to make any progress, and the decisions taken by a Hamas-run PA government may derail our efforts. But while we must now clearly wait to see how the situation unfolds, I encourage us all to be cautious before we rush to the conclusion that the effort is not worth it. Security sector reform remains fundamental to achieving a Palestinian state at peace with its neighbors and responsive to the needs of its people at home.

Thank you, and I will be happy to take your questions.

Chairman HYDE. Thank you, General.

We now go to the 5-minute rule, and Mr. Lantos is first.

Mr. LANTOS. Thank you very much, Mr. Chairman. I want to commend all three of our distinguished witnesses. I have some very simple and specific questions, gentlemen.

General Dayton, I would be grateful, as I know my colleagues would, if you would tell us what has been the flow of weapons into Gaza following the Israeli withdrawal from there. I particularly want to ask you to comment on what happened during the tribal violence on the Rafah border early in January and during the cartoon disaster during which, as I understand it, French and Danish contingents did not perform their responsibilities. I would like to ask you what weaponry has been smuggled into Gaza and from Gaza to the West Bank.

If I may turn to Mr. Kunder, you have indicated repeatedly, and I commend you, that no dollars have gone, or will go, to Hamas as an organization. The question is no longer that. The question is, as Hamas takes over the Palestinian Authority, as long as Hamas is in control, the legislation that Ms. Ros-Lehtinen and I are sponsoring insists that no dollars go to the Palestinian Authority controlled by this terrorist organization except food, medication, and water.

And, finally, Mr. Ambassador, I would like to ask you to comment on the Ros-Lehtinen and Lantos legislation. We intend to move on this expeditiously. We would like to work with the Administration, and we very much hope that the Administration will not paint itself into a corner, such as it did on the port controversy. It was an embarrassing spectacle yesterday watching you and three of your distinguished colleagues deal with a situation that simply was beyond your capability to deal with because the position you were defending was an unacceptable position. General Dayton?

Mr. DAYTON. Thank you, Congressman. Let me try to be fairly brief. First of all, on the flow of weapons into Gaza, it is certainly an area that has us concerned. We have talked with both the Egyptians and the Israelis for their assessment of how this is going. The Israelis have given us some information, which we have shared with the others who control the border, and the Israelis, I think, are more comfortable now than they have been, but they are still very concerned, and it is an area that I will discuss personally when I go to Egypt next week with the appropriate Egyptian authorities.

I am more concerned, however, on Rafah because my view of what is happening in Rafah may not be quite what your view is. I would tell you that we have processes in place at Rafah to make it stronger. As a matter of fact, on the ninth of March, I will chair a council that will include Israelis, Palestinians, and Egyptians to refine our procedures at the border, but I do have to tell you that the European Union monitors are actually doing a pretty good job. Even my Israeli colleagues would tell you that they are not doing as badly as they are kind of being reported as doing.

They are doing a pretty good job, and the Danes and the French, first of all, they only have two or three members of those countries present. I spoke to both of these individuals after the cartoon controversy. Sir, they stayed on their jobs. They did not flee. They did not go anywhere. And the European monitors are doing, I think, as I said, a satisfactory job. General Pistoiese, the Italian

Carabinier chief down there, and I are in constant communication, and Rafah may actually be something that, in the future, we will look at and say, we worked this out pretty well. Thank you, sir.

Mr. LANTOS. Thank you.

Mr. KUNDER. Mr. Lantos, I completely agree with what you just said. I was exactly trying to draw that distinction, that the issue is now what we are going to do vis-a-vis the Palestinian Authority. Ambassador Welch is leading the interagency discussion on that, in which we are participating, so I think I would turn to him for further clarification.

Mr. WELCH. Congressman Lantos, thank you. First, with respect to the question that you directed to me, we, of course, would welcome working with you, sir, and other Members of the Committee on any legislative approach, including the one that is in draft now, to address these issues. As you know, I am available at any time to work on this or any other matter under your purview.

Sir, as Jim Kunder just mentioned, traditionally we have not provided much direct support to the Palestinian Authority, the government, per se. Several days ago, as Secretary Rice announced here at the Congress, we asked the Palestinian Authority to return to us whatever was left unexpended of the direct assistance that had been provided in the past. There are two tranches of that where there are dollars remaining, Mr. Lantos. One is from some years ago. I think it is \$75,000 left. The other amount is much more considerable, near \$50 million, which was provided in support of Gaza disengagement last year in order to better the conditions in Gaza. The bulk of that money is unexpended.

We asked for it back, and we have been talking to the Palestinian Authority about the delivery of that back to us. Yesterday, we received the \$76,000 returned and two-thirds of the remaining amount, \$30 million, was also returned to us yesterday. We are talking with them about schedule for the return of the remainder. I expect to accomplish that, Mr. Lantos, before a new government takes over.

So as far as direct assistance to the Palestinian Authority Government, per se, there should be, by the time this interim, caretaker government leaves office, no United States taxpayer dollars in their hands. The amounts may differ from what we contributed because, of course, some money has been spent. Contracts have to be undone. I am not exactly familiar with that side of the USAID business, but that accounts for the difference in the money.

In the future, as we undertake this review, as I mentioned to you, it will be according to several principles. We would expect, though I do not have policy decisions yet on this, Mr. Lantos, that there will be three consequences for our assistance program, broadly speaking. We will continue assistance in basic humanitarian needs and redirect some of the money that we have taken back for that purpose. Other activities, sir, we are likely to suspend, and there will be some we may well cancel.

Again, we are going literally line by line through each program activity to establish their validity according to the criteria that I just mentioned and then make a recommendation to our bosses, and we will consult with you in that process, sir. As you know, for any redirection of these monies, it does involve notification to

Congress, so you would be able to exercise your oversight responsibilities in that regard.

Mr. LANTOS. Thank you, gentlemen.

Chairman HYDE. The Chair seldom asks a question, but I will ask one now. About 80 percent of the hospitals and clinics in the Palestinian territories are owned by the state, and a cutoff of humanitarian aid, which seems very likely, will have quite an impact on those hospitals, all of which underscores the importance of Christian missionaries in the territory. I am wondering if, in your work, you see the possibility of unfair treatment of these Christian hospitals and missionaries on questions of taxation and mobility, problems of moving around. Is there such a problem, and are we doing anything about it?

Mr. KUNDER. Mr. Chairman, we are looking at that issue right now because clearly one of the things that we are looking at as part of the interagency review that Ambassador Welch is leading is what portion of what would normally be considered humanitarian or basic needs, like health care, is being done through Palestinian Authority-supported facilities, what percentage is being done through NGOs, Christian and others, and what percentage is being done through private clinics? We have a pretty good idea of what those numbers are. We are trying to get even greater clarity on which Palestinian patients go to which facilities.

The general question you raise is a critical one because if, at the end of this, we want to provide medical care as part of the humanitarian assistance to the Palestinian people, we will have to address the fact that some significant portion, certainly more than 50 percent, do get basic care from government-run health clinics, and they tend to be the poorest of the Palestinian people.

There are many factors that determine whether Palestinians can access adequate health care, including mobility within the West Bank. We do not believe, at this point, that any prejudice against Christian organizations, *per se*, is a major factor. We are looking at that as well, and we will be glad to get back to the Committee with more information.

Chairman HYDE. Thank you very much.

Mr. Chris Smith of New Jersey?

Mr. SMITH OF NEW JERSEY. Mr. Chairman, thank you very much. I want to echo the Chairman's statement with regard to those organizations. I think they do a tremendous service to Palestinians. While we have severe—I do, at least, and I know you do as well—disagreements with Hamas, vulnerable women and children certainly need health care, and certainly these NGOs or PVOs, many of them are Christian, some of them are not, do provide a valuable service. So the sooner that review can be done, I think, the better so we know how we can beef up those actions so that a benign entity gets it rather than one that has an agenda that includes the destruction of Jews in Israel.

Let me also ask you all to respond to that further, if you would like. Mr. Kunder, you might want to speak to the issue of UNRWA. You know that I have spoken about that, and you as well, many times in the past. Hamas had disproportionate influence on UNRWA in the past, especially with regard to the textbooks and

the anti-semitic language contained within those textbooks. Where do we go now with UNRWA going forward?

General Dayton, regionally, how is the United States working with friends and allies like Jordan and Egypt, and with the Arab summit now going to be held in, of all places, Khartoum, Sudan, what is likely to come out of that summit? So we have any sense vis-a-vis Hamas?

Again, Ambassador Welch, you might want to touch on the issue of the NGOs as well because these services are vital, and as Mr. Hyde pointed out, we are concerned that there may be a move to unduly and unjustly tax those who are providing these vital services, which would be absolutely counterproductive to the most vulnerable of people in these areas.

Mr. KUNDER. First of all, we share your sense of urgency, Congressman Smith. The meeting is going to be held tomorrow morning in Tel Aviv. We have invited the international organizations, like UNRWA and the U.N. agencies, the NGOs working in the area, and so forth, to get a clearer picture of what everyone who is capable is doing as part of this review that Ambassador Welch is leading.

The education issue is one of those that I think it is part of the interagency review that is taking place for the very reasons you have stated. As we go through these issues, we are trying to understand where we have been able to have an influence on moderating things like the content of textbooks, and then recognizing the need, as the Ambassador said, to send a clear, consistent message to the new Hamas government of non-support, how do we continue to have some influence on issues like textbooks because this is the classic case on which we obviously will be consulting extensively with the Congress on engagement versus disengagement? We want to send a clear signal, but these are the kinds of issues where we have been able to have some influence in the past. We will get a better understanding tomorrow of what the NGOs will be able to continue to do on their own, but we will have to grapple with whether we are going to continue to deal with the Ministry of Education itself. Thank you.

Chairman HYDE. Mr. Berman?

Mr. SMITH OF NEW JERSEY. Mr. Welch, Ambassador?

Chairman HYDE. Is Mr. Berman gone?

Mr. WELCH. Mr. Smith, would you like me to answer your question?

Mr. SMITH OF NEW JERSEY. If the Chairman will permit it, if I have still got time.

Chairman HYDE. I am sorry. Go ahead.

Mr. WELCH. Excuse me, Mr. Chairman.

You had asked, sir, about the Arab League summit in Khartoum. Let me take the opportunity to not only answer that but broaden it a little bit to speak about our overall diplomatic approach to this issue, which has been quite complex and vigorous in the last weeks.

First, there is no Hamas government formed yet, so I do not know exactly what issues might be on the table for the members of the Arab League to look at at their meeting in Khartoum, but I would expect that there is going to be a discussion. Our approach

to that or any other international event, for example, an invitation to Hamas representatives by a foreign government, or even if we hear of such an invitation that might be happening—we have already gone out worldwide to inform our Embassies of what our approach and position is.

First, on contacts with Hamas, as you know, of course, we consider Hamas a terrorist organization, but our laws are not replicated by other countries. Nevertheless, we urge them against contact because, in our view, isolation and pressure ought to be the words of the moment.

Second, if they, nonetheless, want to have such contacts, for whatever reasons, we would bring to their attention the quartet principles, the three things that we have all enumerated here, and explain the logic of those—they are self-evident in nature—so that whoever is meeting with these people will try and impress upon them their responsibilities. Again, we do not answer for foreign governments, but in terms of communicating our position, it is very forthright.

It already has been done with Arab League members individually. This was a centerpiece of Secretary Rice's trip to several of the Arab League countries just in recent days. But before the summit itself, we will go back again to each one of these countries and make sure that we are up to date with our position.

In terms of the NGO community and its concerns, both mentioned by the Chairman and yourself, sir, we are very attentive to the interests of the PVOs and NGOs in trying to do their job and help people at risk. This is a complicated subject for them, too, and they want to spend privately raised money in a responsible way, I am sure. We have had a number of meetings with them. We are going to continue that process because they have some concerns that are particular to their work, which is a bit different than government work.

Finally, we have been involved, and we are continuing as we speak, and one of the reasons Ambassador Mark Ott is here in Washington today is we are also talking with other foreign governments and the European Union about how we implement the next phase of the quartet's conditions; that is, once there is an Hamas-led government, what do we then do? As I said in my prepared remarks, we would like other governments to take a look at our example and our leadership and perhaps emulate some of our practices, again, the purpose being to get these people to agree to those three conditions, and if they do not, to make their ability to function as a government enormously difficult.

Mr. DAYTON. Mr. Chairman, Mr. King had asked me a question, too. Would you like an answer or to pass?

Chairman HYDE. Absolutely.

Mr. DAYTON. Okay. Very quickly. I can be very brief. Congressman, I appreciate the question because it is an important one.

I and my team are in close contact with the Egyptians and the Jordanians and others in the region. The Egyptians, in particular, have been playing a very vital role. Not only did they facilitate the Cairo Agreement last March, which led to the calm among the various factions, but on the ground, the Egyptians have worked very, very intensively with Palestinian Authority security forces in Gaza,

under very hazardous conditions, I must tell you, to try to reshape the security sector and maintain law and order, and, of course, more recently, the Egyptians have been in the lead in trying to press Hamas to change its policies.

As you know, the secretary and Mr. Welch recently went to Cairo and Riyadh. I have been to Cairo already. I am going back again next week, and before the end of the month, I will travel to Jordan as well, so thank you, sir.

Chairman HYDE. Now, Mr. Berman, California.

Mr. BERMAN. Thank you, Mr. Chairman. I would like to ask three questions, so I would appreciate it if you could allot the time so that all three could get a response.

First, Ambassador Welch, you briefly touched on your desire to, even after an Hamas government is seated, continue dialogue and activity with the President of the Palestinian Authority who you appropriately refer to as a man who has spoken on behalf of peace. He has laid out, at different times, some conditions for the new government, but once this government is seated, and even though the conditions that he has spoken about have not been met, and even though he has not taken control of all of the security forces, I would like you to defend the logic of continuing dialogues, discussions, and work with the office of the President of the Palestinian Authority versus the impression that I think a lot of people would have that, in effect, we are recognizing the existence of a two-headed government that undercuts this effort to pressure Hamas to agree to the three conditions that have been laid out.

Secondly, I would like to ask, just to clarify what may have been an impression here that the European Union has decided to give financial assistance to an Hamas-led government. That was not my understanding. Are we off going in different directions in the EU on this already? Your comments would indicate that you do not think so, so I would like to just clarify this issue of what that announcement of assistance was.

And, third, Mr. Kunder, particularly, given that our USAID employees cannot go into Gaza, that there are many parts of the West Bank we do not want them to go into, realistically, once an Hamas government is seated, what are these layers of review and auditing and control that keep things from becoming essentially humanitarian programs controlled by Hamas, diverted to Hamas? You do not have the kind of access to the on-the-ground help that seems to be an integral part of conducting that review. How do you do it?

Mr. WELCH. Mr. Berman, sir, let me take a stab at your first two questions.

With respect to our position vis-a-vis the office of the President in the person of President Mahmoud Abbas, our policy decision, and agreed with the quartet, is clear. We intend to maintain contact with the interim government under his leadership until a new government takes charge. We do not know yet when that will happen, and we do not know who will be in it.

The logic of dialogue with the President of the Palestinian Authority—he presents a position of sharp contrast with those who have been elected in the PLC. That was evident in a speech he made. It has been evident in his positions that he articulated when he ran for President. On the basis of those positions, he has been

invited here to the United States twice. We think he represents an intention to pursue a negotiated peace based on a two-stage solution, to do so in an atmosphere free of violence and terror and certainly building on the agreements that were previously agreed.

So our intent is to have this dialogue with him. Now, that does not translate into any decision at this point on any support to the office of the President. I want to be very clear about that. As I said earlier, our support to the Palestinian Authority Government has been on an exceptional basis, and we intend to have all of that returned by the time an interim government takes over.

Mr. BERMAN. By the time a permanent government takes over.

Mr. WELCH. That is correct.

Chairman HYDE. The Chair interrupts to note a vote is on, so we will stand in recess until after the vote and then return and finish.

Mr. BERMAN. Could we just hear the last answers of this witness to my question?

Chairman HYDE. I cannot hear you. What?

Mr. BERMAN. Could Ambassador Welch and Mr. Kunder just answer the rest of my questions, and then I will be out of your hair?

Chairman HYDE. You can stay here as long as you want.

Mr. BERMAN. Okay. Good.

Mr. WELCH. I will try and be brief on the European Union provision of assistance. My understanding is that they have announced the release of some money from the World Bank Trust Fund, some money to pay utilities and fuel, and some money to be redirected toward UNRWA. This is not to support the next government but, rather, is to support the interim government or assistance that is redirected. Knowing the budget needs of the current interim government, Mr. Berman, I expect that these monies will be necessary to pay their salary bill in the current month, especially since it appears highly unlikely that the Israeli Government will return tax revenues to the Palestinian Authority in this current period.

So I think, while I have not had the chance to go through each item with Mr. Ott yet, and I expect to do so tomorrow, I see this as consistent with the quartet's decision to support the interim government, sir.

Mr. KUNDER. Sir, I do not want to pretend that it is easy, as it is some other places. It is very hard to exert oversight, and so we try to put extra layers in there.

Number one, just to reiterate the basic fact, most of the U.S. taxpayers' dollars is going to either U.S. contractors or United States NGOs, so we are dealing with organizations we know. We know them. We know their auditing system.

Second, we try to get our staff out as much as possible. They cannot get into the Gaza strip right now, but they do get out and lay eyes on American, U.S. Foreign Service employees as much as possible on the West Bank.

Third, we use our Foreign Service nationals, most of whom obviously speak Arabic, to get into the Gaza strip and lay eyes on the project and report back to us, including photographs and so forth.

Fourth, we use the American contractors to check on other projects so we get yet another layer. We have developed an MIS-GIS system—we are actually talk about satellite imagery and so forth—to check on all of this.

And then, sixth, we have got a very extensive auditing system and follow-up to double-check normal auditing procedures.

Now, is that as good as me going out and looking at it myself? No, sir. I would not pretend that it is, but we believe that we have very good validity on how those tax dollars are being spent and that they are getting to the ultimate end user.

Mr. BERMAN. Thank you, Mr. Chairman.

Mr. SMITH OF NEW JERSEY [presiding]. The Committee stands in recess. We will be back as soon as we can.

[Whereupon, a short recess was taken.]

Mr. SMITH OF NEW JERSEY. The Committee will resume its hearing, and I would like to yield to the distinguished gentleman from Iowa, Chairman Leach.

Mr. LEACH. At any point in time, timing is sometimes as important as substance. A year or so ago, when the new secretary of state came for the first time before our Committee, in talking about the Middle East, I mentioned some concerns about the issue of mortality, and I suggested that we had what appeared to be two credible leaders to potentially reach some sort of an accommodation between the parties and Mr. Abbas and Prime Minister Sharon.

If one took a bet on whether both would be alive in 2 or 3 years, it would have been a bet not many people would take, and I raise this from the perspective of this circumstance. It is new. We no longer have Mr. Sharon in power. We now have Hamas in what appears to be the driver's seat, and so one of the great questions becomes one of timing, and do we have the luxury of responding to a lot of ideology we do not like with some turnoffs of our own?

And I raise this in this sense: There have been calls on this Committee today not to have any discourse with Hamas, not to have any diplomatic context, and I want to tell you, I can think of nothing that seems to me to more ill fit the times. It is one thing to disagree with everything that Hamas stands for in terms of the apparent desire to eliminate Israel. It is another thing not to talk with people we differ with. Simply from a timing sense, it strikes me that to refuse to engage is one of the great mistakes of our time. Would you care to comment on that circumstance, Ambassador Welch?

Mr. WELCH. Thank you, Congressman Leach. I agree with you, sir. When I took my responsibilities a year ago or so, I would never have predicted the sort of sweeping leadership changes we have seen not just in this particular place but elsewhere in the Middle East. In that year, for example, we have had two elections in Egypt, two in the Palestinian territories, three in Iraq, and one in Lebanon. These are dramatic times in this particular area.

The array of political forces out there does include some actors with which our discourse is very, very limited, not just nonstate actors like Hamas but also countries like Iran. In the case of Hamas, in addition to the policy differences that we have that shape our approach, which is one essentially of speaking from a distance about what our requirements are as a nation and as part of the international community for this organization, there are also significant legal impediments.

We operate, naturally, and abide by according to American law, which since Hamas is designated as a foreign terrorist organization

under American law, were I to have a conversation with any member of Hamas or any official of Hamas, I would be breaching the law. I cannot do it, even if I wanted to. The situation, for policy reasons, is that we have elected not to. To discuss the alternatives, I think, in that sense, becomes a pretty narrow and constricted discussion with respect to Hamas.

I think when they assume the responsibilities of government, and I am assuming they will take over the Palestinian Government, they will feel some need to respond to the international community's requirements, and they may increase their own communication outwards. In terms of the position of the United States, I think we are not isolated in what we are saying are those requirements. We enjoy good international support for the three principles that we have laid out and enshrined in the quartet's statement of January 30. I believe that those are increasingly self-evident to many, many members of the international community, including some Arab states.

So I think this is more a problem of Hamas's isolation by virtue of their lack of response to these concerns rather than our own, sir.

Mr. LEACH. Well, that could be, but once they become the government of what, in effect, is a nonstate, they take on certain aspects that also relate to American history. Jefferson himself talked about we have relations with people with whom we differ. We had relations with Joseph Stalin, one of the great terrorists in the history of man. We formed what was probably the greatest alliance in the history of the world, the United States-Soviet alliance to defeat fascism.

If we are going to achieve peace, do not we have to talk to people that control the levers of decision-making for that prospect? Do we press Hamas into only discourse with Iran, only discourse with parties we do not appreciate, or do we want to move in a new direction? It may take a change in legislation, but as much as one might be appalled with the positions of someone, not to discourse with them strikes me as a bit awkward for a great nation-state.

Mr. WELCH. Well, Mr. Leach, I think the first part of your question was, in some respects, the part that we ought to pay more attention to, and that is the condition that if we are to achieve peace, if we are going to make that effort, then I think the onus should be on the other side, the other party, whoever it is, Hamas or any other party, to accept what is commonly understood to be the path for peace in this conflict. If they can prove that they are intent upon achieving peace by the standards that everybody has seen as appropriate for this struggle, then I am sure they will have an audience. Until then, I think the responsibility of a great nation is not to demean itself simply for the purpose of the discourse.

I think, in saying that, too, I can be confident I am not going to have any lack of understanding of what their attitudes or positions will be. I am sure there will be lots of people beating a path to our door to communicate those and lots of people announcing things in public, but the thing that we expect them to announce is whether they agree with what it is everybody else has agreed to. Under those circumstances, then we can evaluate whether it is appropriate to change our position.

Mr. LEACH. Well, I hope that tactic works, and there a lot of efforts to be sympathetic to some of the underlying reasons for it. I do not know a lot of incidents in the history of man that refusal to have discussions with another side has led to agreements that are workable, but if we can come up with something novel in the history of man, I would welcome that tremendously. Good luck.

Mr. WELCH. Just to conclude, I probably should have indicated earlier, this approach does have the benefit of some experience. It is not unlike the approach that we took with respect to the PLO over the years.

Mr. LEACH. And we had certain discussions with the PLO at given points in time. It is also not unlike the position we have taken with Fidel Castro, although we have certain discourse with his government that we are not having with this one. The Castro model, while understandable, is not a model that many people would suggest has been successful. Thank you, Mr. Chairman.

Mr. SMITH OF NEW JERSEY. Thank you. Mr. Engel?

Mr. ENGEL. Thank you, Mr. Chairman, and, gentlemen, thank you for very excellent testimony, and I also want to publicly thank the Administration for its strong support and principled support on this issue. Condoleezza Rice was at our Committee last week and also was very firm in saying that we will not deal with a terrorist organization like Hamas.

So there should be no mistake, I thought it would be helpful if I were to quickly read into the record a part of what the Hamas Charter says because I think it speaks for itself. It is a wonderful document, an amazing document. "Wonderful" is the wrong word. It is amazing for its clarity and for its message.

Throughout the document, Israel is constantly attacked, and Jews are attacked and blamed for everything bad that has ever happened in the world. It is really just astounding. Jews are responsible for the Free Masons, rotary clubs, lion's clubs. They are to be blamed for World War I, World War II, the League of Nations, and the United Nations.

So let me just read a couple of paragraphs of the Hamas Charter, and I am quoting. It says clearly:

"The prophet, prayer and peace be upon him, said the time will not come until Muslims will fight the Jews and kill them, until the Jews hide behind rocks and trees, which will cry, Oh, Muslim, there is a Jew hiding behind me. Come on and kill him."

It also says, and I quote:

"Peace initiatives, the so-called peaceful solutions, and the international conferences to resolve the Palestinian problem are all contrary to the beliefs of the Islamic resistance movement, for renouncing any part of Palestine means renouncing part of the religion."

So I just, you know, think this needs to be said because there is no doubt in my mind that Hamas cannot be appeased and should not be legitimatized by the international community. The ball is clearly in their court. They know what they have to do in order to have discussions and negotiations. They need to abide by all previous agreements signed by the Palestinians, they need to recog-

nize the right of Israel to exist as an independent Jewish state, and they need to renounce terrorism. It is as clear as that, and if they do that, we will be happy to speak with them.

I want to also, like Mr. Smith before, talk about some of the other countries, like Egypt and Saudi Arabia, that can play an important role but really cannot have it both ways. You know, in 2000–2001, when Yasser Arafat rejected a peace agreement with Israel where he could have had 100 percent of Gaza back, 90 percent of the West Bank, a state of his own, billions of dollars of international aid, a Palestinian state, he rejected it, and I felt, at that time, that countries like Egypt and other countries did not put enough pressure on him, did not hold his hand and say, If you take this plunge, we will be with you every step of the way.

I think that these countries that get billions of dollars of aid from the United States really need to not be allowed to have it both ways. They really need to tell Hamas that this is unacceptable.

Let me just ask a couple of questions. With a majority in the PLC in control of various ministries held by Hamas, how can we deal—I guess this would be Mr. Kunder—how can we deal with the security forces of a governing authority that is controlled by a terrorist organization?

Let me also say, I mentioned before that I met with Mr. Abbas in Ramallah. How could he serve as any kind of counterweight to Hamas, given, frankly, how little he was willing to do when he was fully in control? We urged him, get out there and campaign, get out there and tell your people that a Hamas government would be a disaster, and yet he was unwilling to do that. So how can he serve as any kind of counterweight to Hamas?

Mr. KUNDER. Did you want General Dayton to answer the question about the security forces, sir? We really do not have any contact with the security forces.

Mr. ENGEL. I am sorry. Well, anyone who would care to answer that.

Mr. DAYTON. I will take that, Congressman, just as a very narrow one.

Mr. ENGEL. I am sorry. Let me just add, is there any doubt that unless Hamas or the Palestinians dismantle the terrorist infrastructure and go after the terrorists and disarm these independent militias, that it is impossible to have any kind of peace, and how can we expect Hamas to do that when they are part of the problem?

Mr. DAYTON. Well, very quickly, on the first question you asked, which was basically, can we work with the security forces under an Hamas government, I would have to tell you the answer is, no, we cannot. Simple. That is straightforward. Now, are there other options? I do not think so. I think the answer is very straightforward.

It goes to the heart, though, of the issue, which is if you do not get the security sector fixed, you are not going to fix anything else, so that is going to be a problem that we are going to have to deal with.

Mr. SMITH OF NEW JERSEY. Ms. Berkley?

Mr. ENGEL. Ambassador Welch, I am just wondering if you had a comment on that, including Mr. Abbas and the other Arab countries. Let me just say, my problem is that down the line we already

see the Russians talking to Hamas, the Europeans sending humanitarian money. Are we going to be firm, or will we start creating legal fictions where we will isolate specific Hamas figures in the Palestinian Authority, but we will continue to deal with the PA in general under the guise of humanitarian aid? That is my big fear, that down the line we sort of finesse it a little bit, and Hamas has its cake and can eat it as well.

Mr. SMITH OF NEW JERSEY. The time of the gentleman has expired, but, Ambassador Welch, if you want to respond.

Mr. WELCH. Thank you. I will try to be brief.

Congressman Engel, I hope we have conveyed to you today with conviction that we intend to be firm behind the principles that we set out. As you know, we built a pretty strong base of international support for those, especially using the quartet mechanism, which has proved uniquely valuable because it brings in the United Nations and the EU and, yes, Russia. That is America's position, and we intend to hold to it, sir.

With respect to the positions of other Arab countries—Egypt and Saudi Arabia, you mentioned, but there are also others whose views are relevant in this regard—I think, so far, we do not detect any automatic homogeneity in those positions. For example, Egypt has met with Hamas representatives, including recently, but also going back some time, in order to forge a period of quiet, whereas Saudi Arabia has not yet. Some other Arab states have met with them; some have not.

I think until the Hamas government forms itself and begins to make its view more clear on what the international community expects of it, it would be premature to react to what those individual Arab countries are saying and doing about this.

With respect to the position of the President of the Palestinian Authority, I think you heard my earlier answer on this sir. Would you think this is a man with whom we could work? He has an important role under the basic law of the Palestinian Authority. He has important constitutional responsibilities which carry forward, and he has subscribed to the agreements that are on record, including the roadmap, which, yes, sir, does call for the dismantlement of terrorist organizations.

I think, as General Dayton mentioned in his prepared remarks, Mr. Engel, we all recognize that is going to be an even tougher challenge than it was before, when and if there is an Hamas-led government in power. I do not know how they will apportion the security responsibilities. That remains a subject to be decided, but my expectation is that when Hamas is in government, they are going to have the security responsibilities.

I do not know what their position will be on the requirements of the roadmap, but our expectation will not change; that is that all of these militias and terrorist organizations should be dismantled, including Hamas.

Mr. SMITH OF NEW JERSEY. Ms. Berkley?

Ms. BERKLEY. Thank you, Mr. Smith, and thank you, gentlemen, and, Ambassador Welch, I think you sound like I feel right now, so I am sorry for us both.

I know that you gentlemen are working very hard and have a very challenging job, but I can tell you, sometimes I sit up here,

and I think I am living in a parallel universe, and I wonder myself, as a Member of the International Relations Committee and the Middle East Subcommittee, exactly what our foreign policy is in this country when it comes to the Middle East and what is happening there.

I was a tremendous proponent, long before I came to Congress, of the peace process, and it became painfully apparent to me when Yasser Arafat walked away from Camp David that this had nothing to do with the Palestinian state. If Yasser Arafat and the Palestinian leadership had wanted a Palestinian state for the Palestinian people, they would have one now. This is about the destruction of the state of Israel, and I have a number of questions regarding our policy and where we go from here and what difference does it make.

Mr. Kunder, when you spoke, you mentioned, in the last 4 years, there has been tremendous deterioration on the West Bank. Well, for 3 of those 4 years, Yasser Arafat was in control of the Palestinian Authority, and through his hands went millions and millions and millions of dollars from the international community, money to be used to improve the lives of the Palestinian people. Now it is apparent that the money was not used, and we have a limited idea of where the money went, although I suspect that if we found Yasser Arafat's widow, we could find out where at least some of the money went. And the last year of the 4 years, Abu Mazen was President of the Palestinian Authority, and to say that I have been less than inspired by his leadership would be a gross understatement.

As Congressman Engel said, I also met with Abu Mazen, and I was in Gaza with him and talked to him about his unique role and opportunity to truly bring peace to a very troubled region in this world, to bring a lasting peace between the Palestinian people and the Jewish state of Israel, and he did little, if anything, to move forward.

So the fact that Hamas is there now is a big surprise to anybody. It is certainly not a surprise to me, and I am beginning to get a little worried that we all think Fatah was such a bargain, where, from my advantage, Fatah did little, if anything, to move the peace process forward because, as I said before, in this last year, Abu Mazen had a wonderful opportunity to negotiate a serious and lasting peace with the Israeli people. He chose not to. Whether he did not want to or did not have the strength or was afraid to, I do not know what it is, but I would like to know one question. Do you see a big difference not what is in the charter of Hamas but what they are going to do that is really any different than Fatah did? That is number one.

Number two, when Conde Rice was standing with the Saudi representative a couple of weeks ago after she left Egypt, and Egypt rejected America's request not to fund Hamas, the Saudis said to her that the difference between direct aid and humanitarian aid was a difference without a distinction. That summed it up pretty well to me. I do not often quote the Saudis, and I am not a fan, but I think they hit the nail on the head.

What is the difference between giving humanitarian aid and aid directly to the Palestinians if it is not getting to the Palestinian people and having the effect of bringing them to the peace table?

Number three, when do we expect the Palestinian people to have an expectation of their government to provide the basic services that the Palestinian people need to move forward and improve the quality of their lives? According to the Hamas Charter, we know that the Jews in Israel are to blame for everything that ever happened in this world, but the reality is it is the Palestinian leadership who has done such a terrible disservice to the Palestinian people, and it would seem to me, if we withdrew our support, and they had no other avenues, they might look to where they should be looking, and should have been looking all of these years, and that is their own leadership to provide the necessities of life so that the Palestinian people can move forward. I would love to get your opinion on that.

But I fear that until we do a little tough love here and make the Palestinian people accountable for their own decisions and their own future, that we are going to be doing this for the rest of our lives, and there will never be peace in that region. So if I could ask you to respond to any and all of my stream of consciousness, I would appreciate it because, frankly, I do not know where our policy is going.

Mr. WELCH. Well, I will take a stab at trying to answer some of these questions, Ms. Berkley, but I agree with the theme of what you are saying. This is an enormously complicated and difficult issue.

There are days when I go to the office and think I am also living in a parallel universe, and there are definitely days when we look at these things and realize that the challenges are more enormous that day than they were the day before. January 26 was one of those days.

Last year, the first year of President Mahmoud Abbas's presidency, was a year dominated by preparation for and achievement of a peaceful cause of disengagement. We have sort of forgotten that important contribution that Ariel Sharon gave to securing Israel, and it is important to go back and recognize that that was accomplished and successfully.

Ms. BERKLEY. Well, I think that is to the credit of Ariel Sharon, not necessarily Abu Mazen.

Mr. WELCH. Well, I agree it was initiated by the Israeli prime minister, and it was thanks to his leadership that it was carried through, but it could not have been accomplished peacefully without the cooperation of the Palestinian Authority under President Mahmoud Abbas's leadership.

I think we all are critical of the lack of performance of the Palestinian Authority in any number of areas, and most of all, their voters, and their voters have gone and rewarded an opposition party and kicked out the bums who did not satisfy them before.

With respect to statements that you may have noted during the secretary's visit to the Middle East with respect to future assistance, I think we just need to take a pause here, Ms. Berkley, until we see what sort of Hamas government we are dealing with and then what kinds of reactions there are from the international com-

munity. Our discussions with the Saudi and other governments in that area gave us a good opportunity to lay out our concerns and to hear from them about theirs. One prominent concern they do have is not to make the Palestinian people victims of either their own poor leadership, previous or present, and to continue to provide them with humanitarian assistance.

This gets to your third point: Why not withdraw our support? I believe, frankly, many Members of this Committee and certainly the Administration share an interest in responding to the real humanitarian needs of the Palestinian people. How to do that is a valid area of discussion. We are going through that discussion right now ourselves and with others, and, of course, we have been talking about it today. Again, we do not have all of the answers, but I think it would be an inappropriate answer to say, no, we should not give anything at all to the Palestinian people. I would hope that this Committee would agree, when we come forward with ideas in this area, that they are responsible and worth taking a look at.

Mr. SMITH OF NEW JERSEY. Mr. Delahunt?

Ms. BERKLEY. Can I just ask one more quick question?

Mr. SMITH OF NEW JERSEY. Your 5 minutes are over.

Ms. BERKLEY. 1 more minute.

Mr. SMITH OF NEW JERSEY. How about for the record?

Ms. BERKLEY. Can I ask a question, then?

Mr. SMITH OF NEW JERSEY. Okay.

Ms. BERKLEY. Thank you.

Mr. SMITH OF NEW JERSEY. If you could just make it very brief.

Ms. BERKLEY. All right. I often think what the world would be like if there was peace, and a Palestinian state living side by side with a Jewish state of Israel. Imagine the economic opportunity for the Palestinian people and the suffering that would be alleviated if they could partner with the Israelis instead of vowing to destroy them and send them into the sea.

I understand the desire for humanitarian aid. None of us wants to be heartless, but, on the other hand, I would hope that the deprivation would ultimately lead to the Palestinians recognizing that the path toward restoration, the path toward a viable Palestinian state, the path toward decent quality of life for the Palestinian people where they have good schools and good hospitals and good health care and good jobs goes through Israel, where you have two partners that are dedicated to improving and raising the standards of living in that entire region, and together they could do this. Alone, the Palestinians will never be able to. We can give them aid from now until the cows come home, and until we have a change of thought and philosophy, and they are actually forced to make peace with the Israelis, I fear we are condemning these people to purgatory forever.

My heart goes out to the Palestinian people. I think we have poorly served them. Their leadership has served them, the European Union has served them, and the United Nations has not served these people well.

Mr. SMITH OF NEW JERSEY. Mr. Delahunt?

Mr. DELAHUNT. If I could just get some very brief, succinct answers. General, there have been reports that Al Qaeda has infil-

trated Gaza and the West Bank, and presuming that that is accurate, can you relate to me your assessment of the relationship between Al Qaeda and Hamas?

Mr. DAYTON. The simple answer is I have not seen the intelligence that generated that, so I really cannot tell you. It is something that I will certainly take a look at, and if you would like, we can get back to you with an answer.

Mr. DELAHUNT. But you are not aware of it at this point in time. I would suspect that if there had been intelligence to that effect, given your role, it would have been brought to your attention.

Mr. DAYTON. That is correct. This issue has been brought up several times by several actors. We have pressed them for the intelligence basis for it and, frankly, have not gotten much of a response.

Mr. DELAHUNT. Okay. So we do not know.

Mr. DAYTON. Correct.

Mr. KUNDER. Very good. My colleague from California, Mr. Sherman, indicated that the United Arab Emirates has been a substantial source of revenue and support for Hamas. Is that accurate, Ambassador?

Mr. WELCH. Mr. Delahunt, to the best of my knowledge, the United Arab Emirates Government has no relationship with Hamas. There were a number of things that Mr. Sherman raised, including in a hearing yesterday on the Dubai Ports World issue, which I would like the opportunity to go back and check point by point.

Mr. DELAHUNT. So, Ambassador, you are telling me that you are unaware of any relationship whatsoever between the United Arab Emirates and Hamas.

Mr. WELCH. Well, I am not aware of any relationship between the United Arab Emirates Government and Hamas. That said, the United Arab Emirates has two and a half to three million citizens.

Mr. DELAHUNT. That is fine. I will accept that.

Let us presume that the Europeans and that this government eliminate all but basic humanitarian assistance to the PA once an Hamas government is formed. Where would they be looking in terms of revenue sources, and what would you anticipate the response from those sources would be?

Mr. WELCH. Well, sir, in the past, the Palestinian Government has funded itself from basically four different sources: Its own domestic revenues, including those returned to it by Israel when they collect taxes—

Mr. DELAHUNT. Okay. That is eliminated because the Israelis are not—

Mr. WELCH. That is presently frozen.

Mr. DELAHUNT. Right.

Mr. WELCH. There are some modest domestic revenues they collect themselves.

Mr. DELAHUNT. Okay.

Mr. WELCH. Second, there is international community support, especially from the European Union.

Mr. DELAHUNT. Let us presume that is eliminated.

Mr. WELCH. Let us presume that is suspended.

Then there are Arab League contributions.

Mr. DELAHUNT. Do you anticipate that those contributions would continue, and if they would continue, would they be enhanced?

Mr. WELCH. I cannot make a judgment yet on that. The members of the Arab League have had an uneven record at best in delivering on previous pledges.

Mr. DELAHUNT. Well, in your early review, I presume you are in the process of making that assessment now. What is your gut telling you?

Mr. WELCH. We have gone beyond the assessment, Mr. Delahunt. We are involved in diplomatic efforts to address those funding questions, sir, and my gut tells me that this is going to be a much tougher fundraising exercise for those fellows than they have contemplated so far.

Mr. DELAHUNT. Okay. Let us go beyond the Arab League.

Mr. WELCH. Finally, they can raise money from their own resources, and I imagine they will tend to be very creative in how they do that. The previous Palestinian Authority Governments have borrowed a great deal of money.

Mr. DELAHUNT. From whom?

Mr. WELCH. From banks, commercial loans. I do not know how successful the new government will be in doing that sort of thing.

Mr. DELAHUNT. We have heard references to both Russia and Turkey. What about China?

Mr. WELCH. Russia has not been a substantial contributor in the past.

Mr. DELAHUNT. Could they be?

Mr. WELCH. Well, potentially, any country could be, sir.

Mr. DELAHUNT. What about the Turks?

Mr. WELCH. I do not think the Russians are likely to do so because they have signed up to the quartet principles. That would seem to me to be a contradiction to those.

Turkey; I have not looked at that one. They are not an important contributor in the past.

Mr. DELAHUNT. China?

Mr. WELCH. Ditto. They are not an important contributor in the past.

Mr. DELAHUNT. They have energy needs. Obviously, they have significant energy requirements.

Mr. WELCH. Correct, but they are not significant participants in the international assistance community overall.

Mr. DELAHUNT. But they might very well have a national interest to secure a favorable reception within the Arab and access to potential revenues.

Mr. WELCH. It is conceivable, but that would be a stark departure from their past practice, Mr. Delahunt.

Finally, let me just note that there is a difference between running a service organization and running a government. Running the Palestinian Authority Government to make up for the funding gap is an over \$100 million-a-month enterprise. That is a lot of money to go collect.

Mr. DELAHUNT. Thank you. Thank you, gentlemen.

Mr. SMITH OF NEW JERSEY. Thank you very much, Mr. Delahunt.

Let me just ask a couple of questions and then go to Mr. Crowley, and then we will have to conclude the hearing. I would ask

that, without objection, a letter from the Catholic Bishops, Bishop Thomas Wensky, the Bishop of Orlando, the Chairman of the Committee on International Policy, be made a part of the record.

He says, in pertinent part, that the bishops do not believe it would be wise or just to withhold aid to the Palestinian people at large or to punish them for the possible actions of their political leaders and makes, I think, a very persuasive case about the importance of ensuring, especially since poverty and unemployment are so high, that NGOs and PVOs be utilized and makes a very strong statement along those lines.

I would ask you, if you could, to respond to a letter that the National Interreligious Leadership Initiative for Peace in the Middle East posed in a February 13 letter to President Bush. They had a press conference on the 18th of February. They had representatives, clergy, from Christianity, Judaism, and Islam all at the press conference.

Cardinal McCarrick made the point that, and I quote, "things have changed in the Holy Land, but that is all the more reason to stay with the roadmap." He goes on to say that they are calling to press for an immediate, comprehensive, and lasting cease fire and to appoint an on-the-ground special envoy to manage and monitor negotiations. I wonder if you might respond to that last point, especially the special envoy to manage and monitor negotiations. Is that something that might be appointed by the Bush Administration, such a person?

Mr. WELCH. I do not foresee us addressing that idea in the near future, sir. I think the near future is going to be dominated by dealing with the consequences of the Palestinian election and a new government under a group that is a terrorist organization, according to American law. Pursuit of negotiations right now would not seem to be warranted.

Mr. SMITH OF NEW JERSEY. Is it something that is under consideration? There needs to be, obviously, intermediate and longer-term perspectives taken into account here.

Mr. WELCH. Well, we would look at that option if we considered that there was an immediate and viable possibility. For example, last year, the quartet appointed a special envoy for Gaza disengagement, Jim Wolfenson. I think if we came to a judgment, either as the United States or as a member of the quartet or in some other way, that this was a viable option, we would look at it.

Mr. SMITH OF NEW JERSEY. Mr. Crowley?

Mr. CROWLEY. Thank you, Mr. Chairman.

Thank you for your testimony today. Given the fact that Hamas now has been successful in taking control of the Palestinian Authority through democratic means, I believe the United States has been helping, but I want to know what you plan to do in the future in terms of promotion of more moderate voices within the Palestinian Authority. What specific plans do we have, or are there any plans you can speak about?

Mr. WELCH. Well, I will provide part of the answer, sir, and ask Jim Kunder to help me with the rest.

Looking forward, this is one of the areas of the aid review that we need to pay particular attention to because we have had democracy promotion activities in the Palestinian territories as part of

our past program. Mr. Kunder can give you a sense of what that consisted of because, as I said earlier in prepared testimony, this is a pretty diverse program.

As we go through this aid review, a real question comes into our minds about how to continue that element of the program going forward. I think we all believe that it is important to work with a moderate center, and there is a civil society that is quite active in the Palestinian territories. We need to figure out how we relate to that and if assistance is an appropriate way to do it in the future. We have not decided that, sir.

Mr. CROWLEY. Ambassador Welch, a congressman testified earlier about the closeness of the election, how the number of seats that Hamas won did not reflect the underlying vote because of the complexities of the dual-voting system there, and I mention that we, in fact, have been doing a number of programs over the years, I think, quite successfully.

To get at exactly the point you are talking about, within the government, we had been, as the peace process was moving along, working to reform certain ministries so that, for example, the Ministry of Finance, which had been subject to allegations of corruption in the past, now has some accountability systems, accounting systems, budgeting systems so that we have a clearer picture. That kind of reform had been taking place.

Then within the broader society, we have been working with business groups, with civil society groups, like lawyers groups and women's groups, to bring them into the political system to try to do exactly what you are talking about, to reach out to moderate elements, which we consider to comprise a large portion of the population.

Mr. CROWLEY. Let me ask another question, and that is, just shifting gears a bit, in terms of what is legal, assuming the United States, in some way or some capacity, wanted to assist the Palestinian Authority and the Palestinian people, given the changes in law that have taken place since 9/11, the Patriot Act and other laws that have cracked down on money laundering and direct or indirect financing of terrorist organizations, how will that actually occur now if that were to take place? Will banks actually conduct the necessary business that needs to take place in order to comply with the law?

Mr. WELCH. Well, Mr. Crowley, I do not have a really good answer to that question because it is a really hard question to answer. Our laws are very strict, and there are a number of them that apply, and they inhibit us completely from dealing with terrorist organizations or providing any material support to terrorist organizations, whether they are in government or out of government.

When you try and implement that law and our policy in the Palestinian territories, you run up against some difficult questions. It is a particularly poignant question for our NGO and PVO community, who are the providers for most of our assistance. The bulk of our assistance is not done directly by government employees, but we require them to sign certain certifications, making them, to some extent, legally liable as well. I think it is something that mer-

ited examination and careful vetting in each and every activity even before this election.

So what we started several months ago was to look at the integrity of that vetting process on the part of the U.S. Government, and Mr. Kunder can explain in a little bit more detail, if you are interested, sir, or we can give you something for the record on this. Particularly when you are not dealing with a government for most of your work—you are dealing with people or organizations—it is often difficult to discern who the heck they are, and we need to be very confident about who it is we work with.

Mr. CROWLEY. I would be interested in a more possibly detailed—I know time does not permit—a more detailed answer on that because I think my observation is, even if the United States wants to help, I think there are many laws that may prohibit the actual transfer of funds to a known terrorist organization.

Mr. KUNDER. Yes, sir. We will submit something for the record, but I can assure you, we have very careful vetting of each organization, to the maximum extent possible, before we give them any money.

Mr. CROWLEY. Thank you.

Mr. SMITH OF NEW JERSEY. Thank you, Mr. Crowley.

Let me just conclude by thanking our extraordinary witnesses for the excellent work you are doing. The Committee certainly appreciates that on both sides of the aisle, and I personally want to thank you.

At a time when the problems are so elusive, the problems and the solutions are so extraordinarily elusive, you are trying to work this issue and work it 24/7, and I want you to know how much we appreciate that. There will be a number of questions that Members who could not return would like to pose, so if you could get back to us as quickly as possible, and, without objection, they will be made a part of the record as well. The hearing is adjourned, and thank you.

[Whereupon, at 1:32 p.m., the Committee was adjourned.]

A P P E N D I X

MATERIAL SUBMITTED FOR THE HEARING RECORD

RESPONSES FROM THE HONORABLE JAMES R. KUNDER, ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA AND THE NEAR EAST, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, TO QUESTIONS SUBMITTED FOR THE RECORD BY THE HONORABLE HENRY J. HYDE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS, AND CHAIRMAN, COMMITTEE ON INTERNATIONAL RELATIONS

Question:

USAID strategy aims to advance President Bush's vision of a sovereign, independent, viable, democratic and territorially contiguous Palestinian state, living side by side in peace and security with Israel. Has this strategy changed? Will USAID be able to support this task in the absence of continued support to secular and moderate Palestinian Nonprofit organizations?

Response:

The United States remains committed to the President's vision of a two-state solution to the Israeli-Palestinian conflict in accordance with the Roadmap. The formation of a new Palestinian government dominated by Hamas, a foreign terrorist organization, raises serious political challenges for the U.S. Until the Hamas-led government has accepted essential preconditions (disavowal of terror and violence, recognition of Israel, and acceptance of previous agreements), the USAID program will not provide assistance to this government and will be limited to humanitarian assistance and support for moderates. The United States is committed to helping those most in need and to providing a space for moderate views and ideas, and will do so through international organizations and U.S. and local non-governmental organizations.

QUESTIONS SUBMITTED FOR THE RECORD BY THE HONORABLE HENRY J. HYDE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS, AND CHAIRMAN, COMMITTEE ON INTERNATIONAL RELATIONS, TO LIEUTENANT GENERAL KEITH W. DAYTON, UNITED STATES SECURITY COORDINATOR, U.S. DEPARTMENT OF STATE. NO RESPONSE RECEIVED PRIOR TO PRINTING.

Questions for the Record submitted by Chairman Henry J. Hyde, Committee on International Relations Hearing on "U.S. Policy Toward the Palestinians in the Aftermath of Parliamentary Elections," held on March 2, 2006, to

Lieutenant General Keith W. Dayton

1. What would Hamas need to do to be removed from the list of foreign terrorist organizations? Has any group ever been removed from the list? What do you think are realistic, serious benchmarks the U.S. and international community should be setting for Hamas? Would the goal of such benchmarks be to motivate Hamas to change its behavior and orientation, or would the goal be to make sure that Hamas cannot engage with the U.S. or international community?
2. Regionally, how is the U.S. working with allies like Jordan and Egypt? Can these allies play a constructive role as intermediaries with a new Hamas-led government, or as leaders of Arab diplomacy?
3. Press reports claim that Hamas has largely adhered to a temporary *hudna* (state of calm) agreement made in Egypt in February 2005. Is this an accurate statement? Who has been behind recent attacks against Israeli civilians?
4. What types of security sector reform can take place in a Hamas-run Palestinian Authority government?

QUESTIONS SUBMITTED FOR THE RECORD BY THE HONORABLE HENRY J. HYDE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS, AND CHAIRMAN, COMMITTEE ON INTERNATIONAL RELATIONS, TO THE HONORABLE C. DAVID WELCH, ASSISTANT SECRETARY, BUREAU OF NEAR EASTERN AFFAIRS, U.S. DEPARTMENT OF STATE. NO RESPONSE RECEIVED PRIOR TO PRINTING.

Questions for the Record submitted by Chairman Henry J. Hyde, Committee on International Relations Hearing on "U.S. Policy Toward the Palestinians in the Aftermath of Parliamentary Elections," held on March 2, 2006, to

The Honorable C. David Welch:

1. Recently *The New York Times* reported that the Administration had determined that U.S. policy should be to starve out the Palestinian people – bringing them to a point of misery at which the U.S. would hope they would blame and reject Hamas. The report was later denied by Administration spokespersons. Can you clarify for us what the real policy of the U.S. is or will be? Putting it even more clearly, is the goal of the U.S. to bring down the PA and hope it will be replaced by someone we like better, or is our goal to force Hamas to change and moderate?
2. Since the parliamentary elections, the Administration has repeatedly stated that it will continue to provide humanitarian assistance to the Palestinians. Can you please provide more details as to what types of assistance are considered humanitarian assistance? How will that assistance be delivered?
3. What are your views about the current legislation before Congress (H.R. 4681)? Do you think this legislation will improve the situation by either convincing Hamas to abandon terrorism or by bringing down the PA? Are there particular things in the bill that trouble you, or particular things you think the bill is missing (like a sunset clause)? Do you think it is important for the U.S. to ensure that the Palestinian people continue to see some “political horizon,” regardless of the current elections? What should that political horizon look like?
4. To what extent do you believe the absence of any progress on the peace process contributed to the success of Hamas in the elections?
5. Keeping in mind that the Hamas campaign included the slogan, “Israel and the U.S. said no to Hamas - what do you say?,” how can the U.S. make sure that, if the PA fails and falls apart, Palestinians do not blame the U.S. and increase their support for parties that are hostile to the U.S.?
6. Generally the U.S. achieves its policy goals via a combination of incentives and disincentives. With respect to Hamas, does this U.S. have a policy that combines both carrots and sticks and if so, what are they?
7. Is the U.S. looking at strategies to shift our bilateral relationship from the PA to the office of the President or the PLO?
8. What is U.S. policy toward the Israeli settlements in the West Bank? Why hasn’t the Administration taken a tougher stance on the ongoing construction in existing and new settlements? To what extent has increased settlement activity in the Jerusalem area undermined Palestinian support for President Mahmoud Abbas?
9. What steps can Congress take to maximize Hamas’ incentive to move in a political direction and meet the requirements set by the Quartet? What actions could hinder the ability of the Administration to accomplish this task?

10. Proponents of a two-state solution would argue that a vibrant Palestinian economy that empowers secular moderates is in Israel's best interest. Some analysts suggest that economic pressure on the Palestinians will not dissuade them from supporting terrorist organizations. They say that it will do the opposite and result in an increase of support for radicalism. Do you agree with this point of view? If U.S. assistance to the Palestinians is cut, how can we ensure that countries like Iran won't fill the vacuum that is created by a distancing from the U.S.?
11. Approximately 80 percent of the hospitals and clinics in Palestinian Territories are state-run. Any shortfall in the Palestinian budget will likely impede their work. This highlights the important role that many of the Christian missions fulfill in providing for social services and a safety net to the Palestinian population. What actions are being taken by the United States to ensure that these missions are not targeted for unlawful tax collection? In addition, what is being done to ensure the mobility of their employees?

